safety starts with you

safety

IN 2003, FOR THE FIRST TIME, employers, workers, injured workers and service providers came together to provide input on the Workplace Safety and Insurance System's priorities and directions. As a result, the partner agencies in the System (the Workers' Compensation Board, the Workers' Compensation Appeals Tribunal, the Workers' Advisers Program and the Occupational Health and Safety Division of the Department of Environment and Labour) have a common strategic plan in place to co-ordinate and improve service delivery with a vision of safe, healthy workplaces for Nova Scotians and sustainable safety and insurance services.

The key priorities in the plan, as identified by stakeholders, are:

- Preventing workplace injury and illness;
- Improved benefits for those who are injured at work;
- Enhanced stakeholder consultation;
- Enhanced accountability by monitoring progress with System performance measures; and
- Financial stability of the System.

In keeping with these goals, the WCB's expanded focus on injury prevention means we will concentrate our efforts initially on four key areas:

- Enhancing the WCB's Prevention Services Department. Adding capabilities and resources to this group will allow the WCB to develop new programs and services to support the System-wide prevention priority.
- Developing a social marketing campaign to increase public awareness of workplace safety. A multi-year marketing plan is being developed to promote the awareness of employers' and workers' responsibilities regarding workplace safety and making workplace safety a top-of-mind issue for all Nova Scotians.
- Developing and targeting safety "consulting-type" services for employers. These consulting services will provide assistance and advice to employers and industries most in need of improved safety practices.
- Researching incentive programs to find new ways to encourage safe workplaces and to discourage risk-taking behaviours in the workplace.

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year

104-04718/

(Dollar amounts in millions)	**2003**	2002	2001
Number of Claims Registered	**33,674**	33,874	34,701
Number of Compensable Time-loss Claims Registered	**8,996**	8,769	9,200
Average Claim Duration (days)	**100.5**	94.2	102.4
Targeted Average Assessment Rate (per $100 of assessable payroll)	**$2.54**	$2.54	$2.54
Actual Average Assessment Rate	**$2.58**	$2.50	$2.49
Total Assessable Payroll (billions)	**$7.1**	$6.8	$6.5
Total Assessment Revenue	**$216.1**	$201.5	$189.9
Total Investment Income	**$38.4**	$27.3	$47.9
Total Assets	**$844.7**	$780.8	$729.6
Total Administration Costs	**$28.2**	$26.5	$24.5
Legislated Obligations	**$8.1**	$8.5	$7.1
Total Claims Costs Incurred	**$126.7**	$122.1	$119.2
Excess of Expenses (Revenues) over Revenues (Expenses)*	**($61.7)**	$1.4	$17.8
Total Liabilities	**$1,256.6**	$1,131.1	$1,020.2
Unfunded Liability	**$412.0**	$350.3	$290.6
Percentage Funded Ratio	**67.2**	73.2%	71.6%
Timeliness of First Payment to injured workers (percentage of payments made within 15 days of the accident)	**83.0%**	78.0%	60.2%
Injury Frequency Rates:			
Time-loss Claims per 100 Covered Workers	**3.0**	3.0	3.2
Time-loss Claims per $1,000,000 of Assessment Revenue	**41.6**	43.5	48.4

* Significant one-time events such as chronic pain had a direct impact on the WCB's financial position in 2003. For a detailed explanation of these items please review the "Management Discussion and Analysis" section of this report starting on page 20.

Chair

IN 2003, THE WCB, ITS PARTNERS AND STAKEHOLDERS, began to build a new working model for the workers' compensation system in Nova Scotia – a new culture – that involves consultation with our stakeholders and a new focus on injury prevention and workplace safety.

During the past year, we embarked on a consultation process with our stakeholders to develop a strategic plan for the system, including the Workers' Compensation Board, Workers' Advisers Program, Workers' Compensation Appeals Tribunal and the Occupational Health and Safety Division of the Department of Environment and Labour.

In April 2002, the Government-appointed Workers' Compensation Review Committee, chaired by James Dorsey presented a report on the occupational health and safety and workers' compensation system. Called the "Dorsey Report" and developed through stakeholder input, this document presented 41 recommendations to Government for improvements to benefits; scope of coverage; and the operations of, and services delivered by, the agencies within the system.

The Committee found that the WCB generally is doing a good job, particularly in the areas of classifying and assessing employers; performance measurement; and accountability. The WCB recognizes that changes need to be made in the system in order to improve the protection and services it offers to Nova Scotians, and also agrees that the Dorsey recommendations should be implemented over time.

The Government issued its response to the Dorsey Report in July 2002, and it called for closer co-operation for the agencies within the system, improvements to benefits, coverage, and services, and the need for stakeholder involvement in the planning and operations of the agencies in the system. Throughout 2003, the WCB, in partnership with the other agencies in the system, worked with stakeholders to try to achieve a consensus on the priorities for the system. We completed a system strategic plan in September.

Through the consultative process, stakeholders identified their key priorities for the system – one of which was to put greater emphasis on the social and economic costs associated with workplace injuries. The strategic plan reflects the compelling case made by workers, employers and safety representatives for the creation of a system-wide workplace injury prevention program. The WCB is committed to developing a safety culture in Nova Scotia.

Over the next five years we will introduce programs and initiatives aimed at reducing workplace injuries. We will explore opportunities such as pro-active rate incentives to promote positive safety behaviours; disincentives for those employers with poor injury experience; audit programs; a core curriculum of safety training; on-line access to workplace injury and illness information for employers; and a social marketing campaign to raise awareness of our rights and responsibilities regarding workplace safety. The WCB has also entered into a working relationship with the Minister of Environment and Labour's OH&S Advisory Council to have them provide advice on prevention programs and policies. This new focus on prevention and education is evident in the theme of this year's annual report – Safety Starts With You.

In concert with the development of the strategic plan, we also asked workers and employers for their input on how to implement the Dorsey recommendations on benefits and coverage. Stakeholders often have different views on what needs to be done. However, in the end, we must maintain a balance between fair benefits to injured workers, reasonable assessment rates and fiscal sustainability. After considering the views of all the stakeholders who participated in the process, in September the WCB made recommendations to Government for changes to benefits and coverage to be implemented in the short and longer term. The recommendations included what we saw as an emerging stakeholder consensus on the issues.

Some of the major recommendations for the short term include: increasing indexing of benefits from 50% to 55% of the increase in the Consumer Price Index; increasing the maximum assessable/insurable earnings; and repealing the three-worker rule. These recommendations are in addition to a $20 million enhancement to the Supplementary Benefits program that the WCB asked Government to implement in late 2002. As a result, for the first time in 10 years, the WCB announced in September that the average assessment rate would increase $0.03 to $2.57 per hundred dollars of payroll in 2004 to pay for this enhancement to the Supplementary Benefits program.

On October 3rd, 2003 the WCB received the Supreme Court's decision on compensating workers with chronic pain. In response to this decision and the WCB and stakeholder recommendations with regards to Dorsey, Government tabled Bill 20 in October. In the strategic plan, the WCB has committed to consult stakeholders on all major issues and beginning in December 2003, we sought workers' and employers' opinions on chronic pain. Based on this consultation and other research, the WCB is currently working to develop a comprehensive approach to chronic pain and will make its recommendation on chronic pain to Government in early 2004.

The consultation process is new and along with it comes the challenge of ensuring that we communicate clearly with our stakeholders and ensure that they have the information they need to provide meaningful input into important issues. I would like to thank the many workers, employers and safety representatives who committed their time this year to helping build a system strategic plan and a new approach to chronic pain. In 2004, the WCB will adopt a formal consultation policy, and we will continue to evolve our consultation process to ensure that it provides stakeholders with opportunities to provide advice on significant issues facing the workplace safety and insurance system.

In 2003, David Stuewe, the Chief Executive Officer of the Workers' Compensation Board for 11 years, moved on to accept a secondment to the Faculty of Management's Centre for Risk Management, at Dalhousie University in October. In his new role, Mr. Stuewe will work in co-operation with the Institute of Work & Health in Toronto conducting research to measure and identify options for enhancing Nova Scotia's safety climate. I would like to thank David for a job well done, as his strong leadership of the WCB for eleven years has placed the organization in a better position to serve its stakeholders. As well, I would like to thank Public-at-Large representative Paul LeBlanc for his excellent service on the Board of Directors and to the people of Nova Scotia.

The WCB is moving forward to better protect Nova Scotians from workplace injury and illness, and the service improvements that you will read about in this annual report would not have been possible without the strong leadership provided by the Board of Directors, and I would like to thank them for their efforts. I would also like to acknowledge the contributions made by the management and the dedicated staff at the WCB — they work to not only provide excellent service to workers and employers, but also to continually improve that service.

Louis R. Comeau, Chair

CEO

IMPLEMENTATION OF THE WORKPLACE SAFETY AND Insurance System strategic plan that was developed in 2003 will mean improved service for all Nova Scotians. With our stakeholders and partners we have built a multi-year plan that emphasizes: preventing workplace injury and illness, improved benefits and coverage, enhanced accountability by monitoring progress with performance measures for the System, financial sustainability, and enhanced stakeholder consultation. Throughout the stakeholder consultation on the future of the system, our core priority remained to continue to provide excellent, financially sustainable service to our clients.

In assessing the organization's financial performance, we met our revenue targets and experienced a gain on our actuarial valuation, which would have resulted in an excess of revenues over expenditures for 2003. However, due to the Supreme Court of Canada decision on chronic pain, the WCB's funded percentage has decreased (from 73.2% to 67.2%) as at December 31, 2003 — the first decrease in several years. Our benefit liabilities have been increased by $168.3 million due to reflect the estimated potential cost of providing benefits for chronic pain. At year-end, the WCB's liabilities total $1.26 billion and assets total $844.7 million, resulting in an unfunded liability of $412.0 million. As part of their normal budget discussions in 2004, the Board of Directors will look at the impact of any legislative changes, both due to potential legislative changes and the chronic pain decision, on the organization's funding strategy.

In 2003 the WCB, in addition to providing workplace injury insurance services to more than 17,656 employers, received 33,674 claims from workers injured on the job. In nearly 9,000 of these cases the injury was serious enough to require the worker to miss time from work, and more than 83% of these workers received their first benefit cheque from the WCB within 15 days of their injury. The organization continues to improve the service provided to the province's workers and employers, and our surveys illustrate these gains: more than 70% of injured workers say they are satisfied with the outcome of their claim and 77% of employers feel the WCB is providing a benefit to them.

Other independent groups, including some international organizations, have recognized the WCB for its performance as well. For example, in 2003, the International Association of Industrial Accidents Boards and Commissions – an association comprised of almost all the workers' compensation insurers and regulators in North America - awarded the WCB with an Information Product Award to recognize our Performance Measurement and Management System (PMMS) for its innovative use of data to improve performance. Improved performance measurement has resulted in increased accountability and transparency.

In 2003, we also sought opportunities to share resources and information with our partner agencies to provide better service. For example, we are working with the Workers' Compensation Appeals Tribunal and Workers' Advisers Program to share our electronic claims file system. An Issues Resolution Team, comprised of representatives from the three agencies, meets regularly to look at the types of issues on appeal and to determine how these issues may be resolved earlier and less formally. Our stakeholders told us during the consultation process that this is a priority. The Team's goal is to reduce the complexity of the system, and undertake initiatives that will improve the system such that fewer workers will need to appeal decisions.

The WCB is encouraged by the possibilities that our new injury prevention and education mandate can provide for the people of Nova Scotia. The best type of injury is the one that doesn't happen. Our objectives are simple. We plan to: increase awareness and knowledge, promote attitude and behavior change, support the adoption of best practice, and improve outcomes for workers and their employers. It is about making Nova Scotia a safer place to work and changing how people think about safety on the job.

As part of our prevention efforts, in 2003 the WCB partnered with the Occupational Health and Safety Division of the Department of Environment and Labour to launch the first in a series of advertising campaigns on workplace injury prevention. These first efforts focused on educating young workers about their rights and responsibilities on the job and promoting the prevention of workplace injuries to all Nova Scotians.

These social marketing efforts are just the first steps in making Nova Scotia a safer place to work. The WCB is working with employers, schools, and other stakeholders to increase the profile of workplace safety — developing partnerships; resources; training and certification programs; and incentive plans to directly assist workers and employers "on the shop floor."

As the tag line of our television commercial said "Doing a job well is one thing. Doing it safely is everything." Every Nova Scotian — workers, employers, service providers, and the system agencies — has a role to play in making Nova Scotia a safer place to work.

Stuart MacLean, Acting Chief Executive Officer

governance

CORPORATE GOVERNANCE IS THE PROCESS and structure for overseeing the direction and management of a corporation so that it effectively fulfils its mandate. This involves both its public policy and corporate objectives. The following is an overview of the governance of the Workers' Compensation Board of Nova Scotia.

Mandate

The Board of Directors is a representative board responsible for the governance of the Workers' Compensation Board, and for the exercise of the powers and performance of the duties as set out in the *Workers' Compensation Act*. The Board of Directors oversees delivery of workers' compensation programs, develops policies in accordance with the *Act* to achieve delivery of these programs, and develops legislative proposals for consideration by Government. The representative nature of the Board places members in a unique position to ensure that the legitimate interests of stakeholders are considered, while recognizing that they ultimately must act in the best interests of the organization and all the people and firms who rely on its services.

Structure of the Board of Directors

As specified by the *Workers' Compensation Act*, the Board of Directors consists of not more than 11 members appointed by the Governor in Council (Cabinet). Other than the Chair and Deputy Chair, the Governor in Council shall endeavor to appoint equal numbers of representatives of workers and employers. The Governor in Council may also appoint representatives of the public-at-large to be non-voting members of the Board. For more information on the WCB's governance structure, please visit our Governance Manual, on-line at www.wcb.ns.ca.

The WCB Board of Directors maintains three standing committees chaired by one of the public-at-large members or the Deputy Chair. Committee members include voting employer and worker members. These committees advise the Board of Directors by reviewing and making recommendations on issues within the committee's mandate. The three committees are:

- Audit and Finance: reviews issues concerning budgets, quarterly and annual financial reports, appointment of external auditors, internal and external audit plans and any other issue related to audits and finance;
- Investment: reviews the administration, supervision, and management of the WCB's investments through the Statement of Investment Policy and Objectives;
- Governance & Human Resources: reviews issues of governance structure and process of the Board of Directors.

Accountability

The Board of Directors is responsible for approval of all WCB policies as well as the organization's strategic and annual business plan and budget and it ensures proper controls are in place. The Board also appoints the Chief Executive Officer and oversees large-scale corporate projects.

Stakeholder Participation

The Governance structure of the stakeholder representative Board of Directors is enhanced by stakeholder participation.

- In keeping with the Workplace Safety and Insurance System strategic plan that was developed in consultation with stakeholders, a Coordinating Committee, comprised of the agency heads of the Workers' Compensation Board, Workers' Compensation Appeals Tribunal, Workers' Advisers Program and the Occupational Health and Safety Division of the Department of Environment and Labour, has been established to oversee and approve joint initiatives undertaken by the agencies and to promote co-operation in the implementation of the strategic plan. In 2003, a stakeholder-based committee was formed to give advice on performance measures for the System. And in 2004, the System will hold its first annual meeting where stakeholders will be provided with an update on the System's performance and they will have an opportunity to provide input into future initiatives.
- The WCB is committed to a consultative approach and it currently is developing a formal consultation process. With this approach, Board members may participate in stakeholder roundtables and information sessions in order to solicit feedback from stakeholders.
- Beyond this, the WCB has entered into a working relationship with the OH&S Advisory Council to have them provide advice to the Board of Directors on prevention programs and policies.
- Board members also receive regular stakeholder feedback via injured worker, registered employer, and employee opinion surveys.

Remuneration

Remuneration for members of the Board of Directors is included on page 30 of this report, following the financial statements.

WCB Board Members

- Chair and Member of all Board Committees — *Louis R. Comeau*
- Deputy Chair and Governance & Human Resources Committee Chair — *H. Ramsay Duff*
- Worker Representative and Audit & Finance Committee Member — *Betty Jean Sutherland*
- Worker Representative and Investment Committee Member — *Jim Neville*
- Worker Representative and Governance & Human Resources Committee Member — *Charlene Long*
- Employer Representative and Investment Committee Member — *Gary Dean*
- Employer Representative and Governance & Human Resources Committee Member — *Elwood Dillman*
- Employer Representative and Audit & Finance Committee Member — *James Melvin*
- Public-at-Large Representative and Investment Committee Chair — *Paul LeBlanc* (term ended December 31, 2003)
- Public-at-Large Representative and Audit & Finance Committee Chair — *James J. White*

you

OFFERED THE WCB A NEW frontier — promoting awareness and understanding of the importance of workplace safety and helping employers and workers in Nova Scotia move forward in developing a safety culture. In consultation with our stakeholders and our partners in the Workplace Safety and Insurance System (Workers' Advisers Program, Workers' Compensation Appeals Tribunal, Occupational Health and Safety Division of the Department of Environment and Labour) a far-reaching strategic plan for the System which places a priority on making Nova Scotia a safer place to work was developed.

Prevention in the workplace offers the hope of reducing both the human and financial costs of workplace injuries and illnesses. Preventing workplace injuries involves everything from increased awareness and education to regulation and enforcement. The first step is making people aware of workplace injuries and how they occur. It is also a matter of helping people understand that workplace injuries do not just happen in factories or industrial settings — everyone in the workforce is at risk. Almost 1 in 10 Nova Scotians covered by workers' compensation had an injury on the job last year, and workplace injuries are occurring in every sector of the economy. Workplace injuries among workers under 25 are also increasing.

Education provides people with the information and resources they need to make informed decisions about workplace safety. This can be as simple as a worker understanding their rights on the job; an employer providing the appropriate safety training; or the WCB providing an employer with information on where and how injuries are occurring on their worksite. Education is also about responsibility — the responsibility for workers; employers; the WCB and others in the System to know the appropriate actions for preventing injuries and illnesses from happening.

In light of this responsibility, in 2003 the WCB unveiled its first-ever public awareness advertising campaigns. These social marketing efforts, produced in conjunction with the Occupational Health and Safety Division (OHS) of the Department of Environment and Labour, were designed to raise Nova Scotians' awareness of workplace injuries and the impact they have on individuals, families and workplaces. A television advertisement cautioned people that workplace injuries happen in Nova Scotia, and they can happen to anyone. It also promoted that "Safety Starts With You," whether you are a worker, an employer, or someone who has yet to enter the workforce.

A multi-media advertising campaign aimed at workers under 25 was designed to let workers, and in particular, young workers, know their rights on the job and provide them with this information before they enter the workforce or choose a particular career. The response to these ads was exceptional, and more information about the campaigns can be found on page 9.

These are the WCB's first efforts in safety prevention awareness and education. These efforts were supported by WCB Prevention Services Department staff, who are providing training and education opportunities to schools, industries and associations. The WCB is working to become a leader in the field of workplace injury prevention, and wants to provide all Nova Scotians with the information they need on how to make their job and workplace safer. The WCB is also working to establish strong relationships with existing workplace safety service providers.

The prevention initiatives are a part of a much larger initiative – the Workplace Safety and Insurance System strategic plan. Following the April 2002 release of the *Nova Scotia Workers' Compensation Program – A Focused Review* (the Dorsey Report), the Government of Nova Scotia asked the Chair of the Board of Directors to:

- Engage stakeholders and the System agencies and lead the development of a strategic plan for Nova Scotia's occupational health and safety and workers' compensation system; and
- Make recommendations for enhancements to workers' compensation benefits and coverage. These changes would require changes to the *Workers' Compensation Act.*

Consequently, the partner agencies undertook an extensive consultation process with stakeholders to develop a five-year strategic plan for the System. The plan makes a fundamental commitment to address five key priorities identified by stakeholders:

- Preventing workplace injury and illness;
- Improved benefits for those who are injured at work;
- Enhanced stakeholder consultation;
- Enhanced accountability by monitoring the progress with System Performance Measures; and
- Financial sustainability of the System.

With regard to legislative change, the WCB Board of Directors consulted with workers and employers regarding the pace at which the benefit and coverage changes proposed in the Dorsey Report should be implemented. The Board of Director's recommendations to Government in September 2003 include what appeared to be an emerging stakeholder consensus on the issue. The major recommendations include:

- Increasing the indexing of long-term benefits from 50% to 55% of the increase in the Consumer Price Index (CPI) for Nova Scotia;
- Increasing the maximum assessable/insurable earnings from 140.2% to 152% of the Average Industrial Wage;
- Repealing the three-worker rule; and
- Implementing other changes to simplify the System.

The Board of Directors recognizes that certain other Dorsey recommendations will need to be addressed over time as fiscal stability of the System is achieved. The focus continues to be on maintaining the financial integrity of the System and the appropriate balance between reasonable assessment rates for employers and fair benefits for injured workers.

Following on the heels of the WCB's recommendations, in October 2003, the Supreme Court of Canada found that section 10B of the *Workers' Compensation Act* and the *Functional Restoration Program (FRP) Regulations* are unconstitutional. This section of the *Act* and the FRP Regulations determine the compensation certain workers can receive related to chronic pain.

In essence, the Supreme Court of Canada determined that injured workers with chronic pain must be treated the same as other injured workers, and they must have the same access to the workers' compensation system. Further, they should be individually assessed to determine the appropriate programs and services each worker should receive and the worker's eligibility for long-term benefits. The Supreme Court has provided until April 3, 2004 before the decision is in force.

As a result, Government decided to put the Dorsey changes and a high-level framework for compensation related to chronic pain together in Bill 20. As part of this process, the Minister of Environment and Labour asked the WCB to recommend a new approach to chronic pain for Government to consider. In the closing months of 2003, the WCB once again engaged stakeholders in a consultation process to gather their input on a new approach for providing compensation related to chronic pain. The WCB will make its recommendation to Government early in 2004.

The 2003 Annual Report highlights the efforts the WCB has made to make Nova Scotia a safer place to work. This can only be achieved through the collaborative effort of all partners and stakeholders in the System. Open communication, engagement, and responsibility are the foundation on which we will build a stronger and more collaborative Workplace Safety and Insurance System.

Stakeholders and System agencies have a responsibility to all Nova Scotians to create a safe working environment, and each individual and company has a responsibility to participate in making their own workplace safer.

you

awareness

SAFETY STARTS WITH PROVIDING WORKERS and employers with the knowledge and tools to effectively prevent injuries. The first step in any prevention effort requires workers and employers to be aware of workplace injuries and how they happen, and to think about prevention as an ongoing part of their jobs. This shift in the workplace culture of Nova Scotia will take time to develop, but significant efforts in this area are underway.

"The WCB is committed to becoming a leader in prevention and risk management services for all employers in the province, helping them acquire the skills and information they need to improve safety in their workplace, and providing them with the incentive to do so." Louis R. Comeau, Chair

In 2003, the WCB...

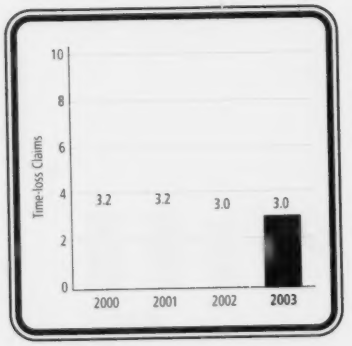
- Integrated injury prevention and education into the WCB's operations. Some staff from the Occupational Health and Safety Division moved to the WCB's Prevention Services Department in 2002. This department is part of the Prevention and Assessment Services Division. Staff will work closely with Nova Scotia's employers, labour community, the OHS Division, and safety service providers to reflect this new emphasis on workplace injury prevention and to more fully integrate the prevention role into the WCB's existing operations.

- Developed a detailed prevention strategy as part of the overall System strategic plan. The WCB worked with the employer and labour communities, safety associations, OH&S Advisory Council and other stakeholders to develop a workplace injury prevention plan. This plan outlines the WCB's efforts to make Nova Scotia a safer place to work over the next five years. The planning process will enable our partners in safety to develop complementary plans to leverage all of the efforts being undertaken in the area of injury prevention.

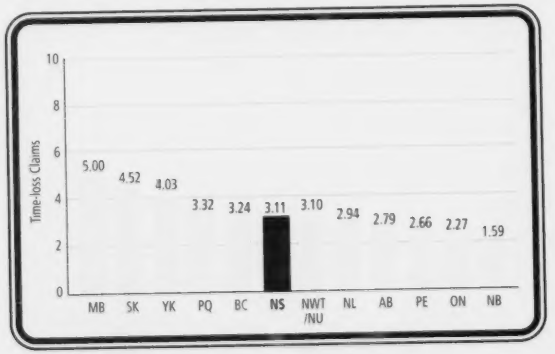
  The WCB currently is developing new programs and services to help foster a safety culture in Nova Scotia, and:
  - Increase employers' and workers' awareness of their rights, responsibilities, risks, and best practices related to injury prevention;
  - Encourage positive health and safety attitudes and behaviours;
  - Increase compliance with clear standards and encouraging the adoption of best practices; and
  - Improve health and safety outcomes.

The WCB has continued the work begun at OH&S by working with educational institutions to develop a curriculum that includes occupational health and safety topics and information. It is critical that young workers understand the importance of workplace health and safety before they enter the workforce. Partnering with industry associations and leaders in the field of risk management and prevention will be a priority, through initiatives transferred from OH&S such as the Certificate of Recognition Program; the Student Workplace Orientation Program (SWOP); and the OHS Grant Program.

Injury Frequency Rate Time-loss claims per 100 covered workers, Nova Scotia. Includes assessed and self-insured employers.

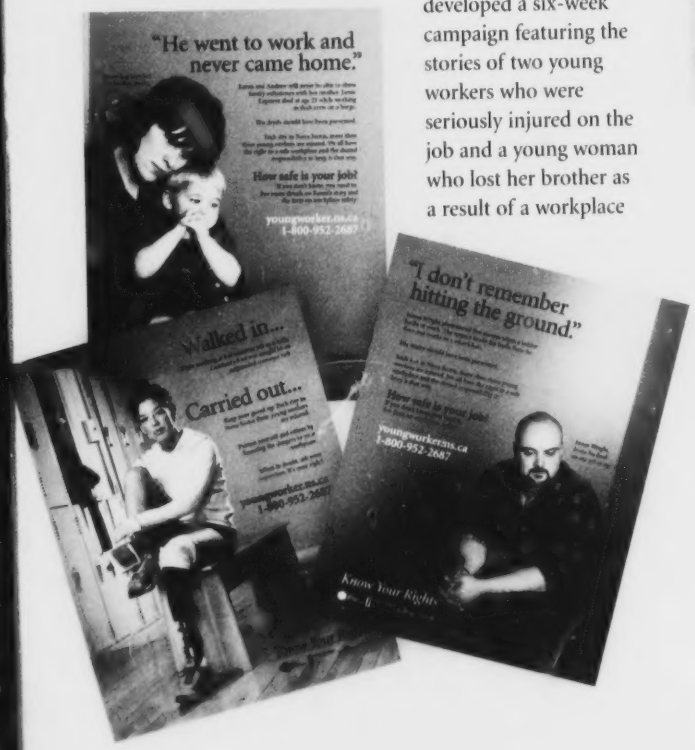


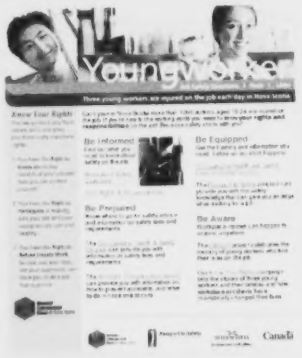
Injury Frequency Rate – Time-loss claims per 100 covered workers, all Jurisdictions, 2002. Includes assessed employers only.



In the coming year, the WCB will be working to more thoroughly integrate prevention into all aspects of its business. Future plans for prevention include ensuring a continued public presence for prevention information through increased social marketing, encouraging community leaders to make workplace safety a priority; and continued communication with employers and workers about prevention best practices. In the past, the WCB provided incentives for employers to develop safety programs and rewarded them based on their past claims cost experience (experience rating). In future, we will be considering an additional program to reward employers for proactive safety behaviour.

- Launched a province-wide workplace safety and prevention awareness campaign. In co-operation with OHS, the WCB developed a six-week campaign featuring the stories of two young workers who were seriously injured on the job and a young woman who lost her brother as a result of a workplace injury. The centerpiece of the campaign was a series of 30-second radio ads, which played across the province on all English-language stations. Other media used to get the message out to young workers included: a junior and senior high washroom/cafeteria poster campaign; washroom ads in bars and restaurants in the Halifax Regional Municipality; post-secondary educational institution advertising and various other tools including posters, construction hoardings, specialty newspapers, and the Internet.





The WCB also launched the www.youngworker.ns.ca Web site, to provide health and safety information and links for young workers. Over the first phase of the campaign (June and July) the site averaged more than 230 hits per day, with over 13,000 hits during those two months. The radio ads and other campaign materials and links to safety education and training also are featured on the Web site.

In the second phase of the marketing campaign, the partner agencies developed a general awareness television ad. Titled "Safety Starts With You" the ad, originally developed for the Workplace Safety Insurance Board in Ontario, reinforced the message that everyone in Nova Scotia has a role to play in making workplaces safer. This part of the campaign targeted all employers, workers and their families. The goal of the ad was to raise the awareness of the impact of workplace injuries and encourage people to make working safely a normal part of their routine.

The results of the campaign have been very positive. When responding to a survey, nearly 70% of workers and employers indicated that they had seen the ads, and the majority indicated that the ads were either about workplace safety or young worker safety. A significant number of respondents also indicated that the ads themselves would change the way they thought about safety on the job. Surveys conducted with new entrants to the workforce also revealed a high degree of awareness of both the ads and the message they conveyed. These efforts are just the start, however, as changing the way people think about, and approach, health and safety on the job will take time; just as it took many years, for example, to change attitudes towards drinking and driving.

A New Start

Greg Ellis was working as a saw operator when his powersaw kicked-back and cut the tendon at the back of his left leg. Working alone, Greg crawled to a nearby co-worker and was rushed to the hospital. Once he arrived, doctors diagnosed that he had cut his peroneal nerve and would require immediate surgery.

After a lengthy hospital stay, involving therapy to try to strengthen the ligament, it was determined that the nerves and tendons had not healed correctly. A second surgery was arranged to try and properly graft the nerve. After the surgery and a considerable healing and rehabilitation process, Greg tried to return to work.

The 52-year-old Greg had been working in forestry for most of his life, and upon returning to work found the demands of walking long distances into the woods and working on uneven surfaces very difficult. His pre-accident employer was not able to offer any other types of work, so Greg's WCB Case Management team — Vocational Rehabilitation Counselor, Chris Keigan, and Case Manager, Dave Crawley — began to explore other options. Visiting Greg in Sissiboo, they learned that he didn't think he would be able to return to his old job due to the ongoing problems with his foot and ankle, but he was willing to try any other type of job, preferably working for a larger company.

"I felt I needed to move on to something more secure," said Greg, "and Dave and Chris really understood where I was coming from."

MARY DIXON

From left: (front row) Errol Thompson, John Grumley, Greg Ellis, Stephanie Roope and Jackie Hatt of Shaw with their WCB Case Management Team; Dave Crawley and Chris Keigan (in back).

Dave, Chris and Greg worked together to develop a vocational rehabilitation program to help him return to work, and the first step in the program saw Greg completing his General Equivalency Diploma (GED) and starting work on a job search. "Greg was very motivated to get back to work," said Chris, "but he understood that it may be difficult because he was an older worker." While participating in his vocational rehabilitation program, Greg underwent one more surgery to transplant a tendon to his injured ankle in order to strengthen and stabilize it.

"We had Greg undergo a functional capacity evaluation, to see what types of work he would be able to perform and for how long," said Dave. These evaluations test a worker's abilities to perform particular types of jobs and activities. As a result of the evaluation and his doctor's recommendation, Greg was fitted with an ankle brace and orthotics for his boots.

While Dave and Chris were visiting Shaw Wood in Cornwallis about another worker, the Safety Co-ordinator, Errol Thompson, indicated that he had several openings on the shop floor. Dave and Chris mentioned Greg, and arranged an appointment for Greg to come in and talk to Errol and the Occupational Health and Safety Nurse for Shaw Group, Jackie Hatt.

Once Shaw learned Greg's capabilities, Errol worked to find a suitable position within the company. Greg was hired immediately as a Production Worker, and has since been hired by the company full-time.

"Shaw Wood and the WCB helped me with a great opportunity," said Greg "and it's been a new start for me."

workers

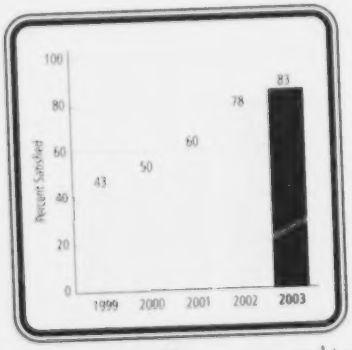
WORKERS PLAY A VITAL PART in the Workplace Safety and Insurance System. Knowledge and education is their most important tool — knowing their rights and responsibilities on the job and taking the initiative to ensure a safe workplace. Over the past year, the WCB continued to refine and improve service for workers.

In 2003, the WCB...

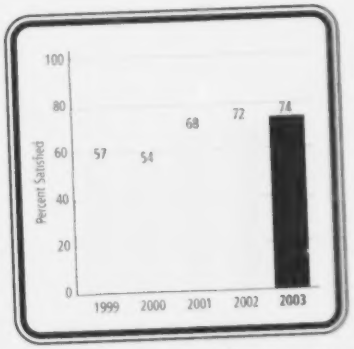
- Participated in the ongoing development of the Student Workplace Orientation Program (SWOP). In conjunction with the Nova Scotia Safety Council, the Workers' Compensation Board is one partner in this program designed to provide general workplace safety knowledge to students before they enter the workforce. This program, initially funded by the Occupational Health and Safety Division and Human Resources Development Canada, provides students with basic information on: safety laws and regulations; ergonomics; personal protective equipment; chemical, electrical, and hazard awareness; and then tests them on their knowledge.

  The six courses in SWOP provide students with the workplace safety background they need to take the Passport to Safety test. Passport to Safety is a national on-line test and report card, designed to help young workers learn the basics they need to be safe on the job. The Passport to Safety report card allows students to keep track of their safety training. SWOP and the Passport to Safety provide students with safety knowledge prior to entering the workforce, and they provide marketable skills that can provide students with an edge when competing for jobs. These programs do not replace an employer's responsibility to provide workers with safety training. But, they do let employers across the province know they are hiring employees already equipped with safety fundamentals upon which their own company and job-specific training can be leveraged.

- Improved claims processing time. This means faster, more timely service for injured workers. The WCB's Client Services Division met its 2003 goal of 80% of clients receiving their first benefit cheque within 15 days of their accident. This achievement is the result of the efforts of staff and improvements in claims processes and technology. By the end of 2003, over 83% of first benefit cheques were issued to injured workers within 15 days of their injury. This is a significant improvement over 75% in 2002 and 60% in 2001. Injured workers have stated through surveys that getting the first cheque quickly is one of the most important services the WCB can provide. In surveys conducted in 2003, 74% of injured workers were satisfied with how quickly they received their first benefit cheque.

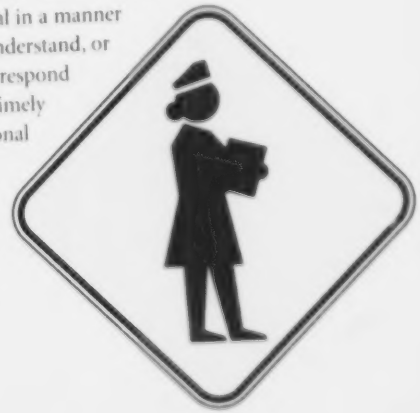


The Timeliness of First Payment measures how quickly a first payment is issued to an injured worker after their accident occurs. It is the percentage of first Temporary Earnings Replacement Benefit (TERB) cheques issued within 15 calendar days of the date their accident was reported to their employer or the date that their loss of earnings started. This Corporate Performance Measure (CPM) is used to determine how efficiently the WCB is processing injured workers' claims.



The Satisfaction with Promptness of Benefits Delivery measures how satisfied injured workers are with how quickly they get their first benefit cheque from the WCB. This Corporate Performance Measure uses results that are drawn from the monthly injured worker survey conducted on the WCB's behalf by an independent research company.

- Developed a formal process for handling WCB complaints. In 2003, the WCB's Client Relations Officer received 59 complaints about our service, primarily from injured workers. The Client Relations Officer is responsible for the timely resolution of complaints, and monitors the types and frequency of complaints received. In 2003, 32 complaints were either fully or partially substantiated. In most cases, the issue was that the WCB did not communicate with the individual in a manner that they could understand, or the WCB did not respond to concerns in a timely manner. Operational Units now use this information to make service improvements.



A Change of Scenery

Forty-six year-old Mansel Warren had worked in Cape Breton all his life, and while working as an electrician in a mining operation, his life changed forever. He was working at the mine face and stepped on a moving haulage rope that threw him to the ground. Consequently, he underwent surgery on his left knee to repair the muscle and tendon damage.

His Case Management Team in the WCB's Sydney office, Charlene MacArthur and Kelly Johnston, began to look at options for Mansel for when he was able to return to work. The severity of his injury and the physical demands of his pre-accident employment meant that he would not be able to return to his type of work. In addition, his employer was no longer in operation.

From left: Charlene MacArthur, Mansel Warren, Kelly Johnston and Jerry Marchand.

"We met with Mansel quite often to try and determine what types of work he was capable of doing, what types of work he would be interested in doing, and exactly what job opportunities were out there for him," says Kelly. Following surgery, and after a lengthy physiotherapy program, it was determined that Mansel had a permanent injury, and a vocational rehabilitation plan was developed.

Mansel signed off on the VR plan and immediately began to work on it. "He was very focused on returning to work right from the start," says Charlene. "He set his goals and worked very hard to achieve them." The first task was a Functional Capacity Evaluation, which helped to identify Mansel's workday tolerances at different tasks. He also participated in a vocational assessment and a career exploration course to determine his present skills and abilities, and in what occupations these skills would be needed.

"As part of this we looked around and what jobs were available in my area and what I might be interested in, and I thought working as a driver would certainly be a good area to look into," says Mansel. The process revealed that Mansel would be suited for work as a truck driver, and although there was not a great deal of work available in his home area, Mansel went out and visited employers tracking down work opportunities on his own, solidifying his chances of finding work upon completion of his program. One of his contacts was Jerry Marchand of Tom MacDonald Trucking in Sydney who provided a four-week fleet internship.

Mansel passed the licensing course with flying colours, and then went on to take a variety of other trucking-related courses through his VR plan, including dangerous goods transportation, border crossing, First Aid and CPR, fire awareness, and an introductory computer course. "We brought in Mansel right out of school and had him driving with one of our coaches," said Jerry. "The coach told us that he had a great attitude, really worked well with our customers, and was well-trained. We were really pleased to add him to our drivers." Once Mansel passed his licensing exam, Tom MacDonald Trucking offered him a full-time position with the company.

While he is now working as an international trucker, Mansel is thankful for all the WCB has done for him. But, as Kelly says, "A lot of our success in helping someone return to work has to do with how committed the person is to making it happen. Mansel was very committed to not let his injury get in the way of his life."

"I've gone from working at the mine in Cape Breton to driving a truck all over North America, it's been a real change for me," said Mansel

employers

EMPLOYERS NOW HAVE ACCESS TO MORE safety information, equipment and services than ever before, but their most important tool is making good choices. By hiring the right people, providing them with the right information, and ensuring they have the necessary safety equipment, employers are already taking the first steps to ensure their workplace is a safe place to work.

"At its most basic level, prevention is about reducing injuries and illnesses on the job, but it is also about changing how people think about their work environment and empowering everyone so that they take an active role in making that environment safer."

Stuart MacLean, Vice President, Prevention and Assessment Services and Acting Chief Executive Officer

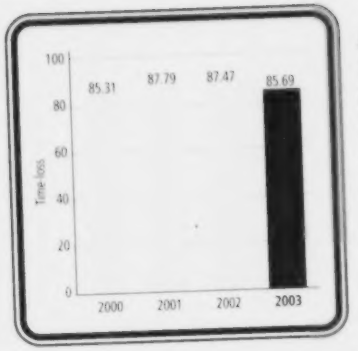
In 2003, the WCB...

- Assumed responsibility from the OH&S Division for the Certificate of Recognition program. In 1994, based on an industry initiative, a process was established to create an occupational health and safety audit system to ensure the adequacy of workplace health and safety systems and services. Industry requested the support of government that assisted in two primary areas. The first was to establish a system of industry funding facilitated by government and the second was the use of successful audit completions as criteria for doing business with government. Once an employer passes their safety audit, they are eligible to receive a Certificate of Recognition from the WCB and their related safety service provider.

- Provided employers with on-site return-to-work assistance. The WCB offers employers Workplace Disability Management Services (WDMS). These efforts help employers analyze their claims costs, identify problem areas, target possible solutions, reduce injury and illness and make improvements in their claims costs. The most common and effective solution, besides preventing workplace injuries in the first place, is to implement a comprehensive return-to-work program for injured employees. This can be as simple as taking someone back to work after an injury by matching their physical abilities with their job tasks.

  Employers often contact us directly for these services, but referrals most often come from WCB caseworkers who, in working directly with employers, often see opportunities for them to reduce claims costs. In 2003, more than 193 employer visits were conducted with 102 employers across the province. Often these visits are to assist employers to understand the types of accidents they are having and how much these accidents are costing through lost productivity, increases in experience rating costs, and the personal toll on workers and their families. Thirty companies implemented return-to-work programs in 2003 as a result of these visits. Employers like Sarsfield Foods, Tesma International and Crossley Carpets all have received recognition for their efforts.

- Provided more workers and employers with WCB coverage. To ensure that as many Nova Scotians as possible are provided with workers' compensation insurance, the WCB continued to work with the Canada Revenue Agency (CRA) to ensure that all employers that are required to register with either agency are registered. By sharing information through this initiative, CRA and the WCB identified more than 600 employers in Nova Scotia who were working in an industry where workers' compensation coverage was required but they were not registered with the WCB.



Timeliness of Accident Reporting – The percentage of injury/illness reports received by the WCB within 8 days of the injury/illness.

Time-loss Claims by Industry– the number of injuries where a worker loses time from work reported by industry sector.

Compensable Time-Loss Claims by **Industry Sector**

	2002	%	**2003**	**%**
Manufacturing	2,009	23.0%	**1,807**	**20.1%**
Health and social services	1,475	16.9%	**1,536**	**17.1%**
Retail trade	911	10.4%	**940**	**10.4%**
Government services	698	8.0%	**842**	**9.4%**
Construction	765	8.8%	**801**	**8.9%**
Accommodation, food and beverage	640	7.3%	**692**	**7.7%**
Transportation	526	6.0%	**544**	**6.0%**
Wholesale trade	477	5.5%	**543**	**6.0%**
Communication	318	3.6%	**335**	**3.7%**
Other service	267	3.1%	**287**	**3.2%**
Fishing and trapping	243	2.8%	**254**	**2.8%**
Business services	155	1.4%	**144**	**1.6%**
Logging and forestry	97	1.1%	**88**	**1.0%**
Agriculture	60	0.7%	**64**	**0.7%**
Mining	47	0.5%	**36**	**0.4%**
All other	81	0.9%	**83**	**0.9%**
Total	8,769	100%	**8,996**	**100%**

The WCB wrote to these employers to let them know that they may be required to register. As a result, a number of employers were assessed, and many had their accounts back-dated as far as 1999. To date, the WCB has collected over $2 million in outstanding premiums through this initiative. The WCB will continue to identify non-compliant firms in 2004.

This initiative ensures the integrity of the compensation system, levels the playing field for employers in the province, and ensures all workers who are entitled to workers' compensation benefits receive them. Businesses in most industries in Nova Scotia with more than two employees require mandatory WCB coverage, and the failure to register can result in fines, penalties and full responsibility for all claims costs.

- Recovered more than $4.8 million in third-party actions. In order to maintain the integrity of the Accident Fund, the WCB takes action on claims where a third party may be involved. The Accident Fund is used to pay the costs of all injuries and illnesses involving registered employers, including benefits, medical expenses, and other items. Any funds recovered are used to replenish the Accident Fund with the excess recoveries provided to injured workers. In 2003, the WCB paid over $3 million in excess recoveries directly to the affected injured workers. These figures include all activities undertaken in 2003. The WCB may take action on behalf of the worker in situations where:
  - the workplace injury or illness was the responsibility of a third party (someone who is not covered by workers' compensation); or
  - the workplace injury or illness arises out of a car accident, and the party responsible is not the worker's employer.

A Common Sense Approach

Harry Freeman & Son Limited has been operating a sawmill in Greenfield, Queens County, for over 100 years. The company was concerned about the number of workplace injuries they were having and their rising workers' compensation costs.

Al White, the company's Safety Officer had heard from some of his colleagues about the WCB's Workplace Disability Management Services program and how they could help firms manage their injuries and claims costs. "Each year the WCB targets a number of industries with increasing claims costs and works with them to help them implement programs and procedures to more effectively manage their claims and costs," says Tony Bremner, the WCB's Co-ordinator of Workplace Disability Management Programs.

Tony met with Al and Richard Freeman, Quality Control Manager, to first look at some of the history behind the mill's claims costs. They looked at the costs of the accidents and the type of accidents that were occurring, and then discussed how they could be prevented. Like many companies in the sawmill industry, the mill was having a large number of hand, finger and leg injuries. "It's a real common-sense approach. The program helps you focus on the important things – preventing injuries from happening and helping your workers get back to work." says Al.

"After we knew where the injuries were happening, we started looking at ways to reduce the costs of these injuries," says Tony. "We started with a couple of information sessions for the staff to let them know about what type of injuries were occurring, how long workers were off because of these injuries, and the costs of these injuries to the employees and the company."

Tony also helped Freeman & Son develop a return-to-work program to help workers get back on the job after an injury. The program looked at each of the jobs in the mill, and determined which types of jobs a person returning after an injury might be able to perform while they recover. From here, with Tony's assistance, the company developed return-to-work policies and procedures so that they had standard practices for helping their workers return to work, and a set of guidelines to follow. "It's hard to say no to someone who can help you protect your employees and save you money," says Al.

This was followed by further information sessions to let the employees at Harry Freeman know their rights and responsibilities in the company's return-to-work program. The approach has been very successful, and has since expanded to allow workers who were not injured at work, but are recovering from an injury to access the program. Weekly safety lectures and meetings have become a regular part of the way Harry Freeman & Son does business, and they also provide safe work incentives to their employees.

Harry Freeman & Son has been running their return-to-work program for just over two years and has already seen a 40% drop in both the number of injuries in their workplaces and the costs associated with these injuries. "Our aim is for no-one to get hurt, but we have the program in place in case it does happen. It benefits everybody and they're back on the job where we need them." says Al.

From left: Freeman & Son's Clinton Patterson and Al White with WCB's Tony Bremner on the plant floor.

system

THE EFFORTS OF WORKERS AND EMPLOYERS to improve workplace safety must be reinforced by a strong Workplace Safety and Insurance System – one with a set of common goals and objectives. The System agencies must co-operate in order to meet these goals and provide a set of measures so the public can monitor its performance.

"The co-operation and collaboration involved in the development of the System Strategic Plan has laid a framework for the entire system. Through these efforts, the agencies have begun to work on a number of projects together allowing for better use of the System's resources and resulting in better service for workers and employers." - Jim Houston, Vice President, Strategic Services

In 2003, the WCB...

- Developed, with our partners and stakeholders, a strategic plan for the Workplace Safety and Insurance System. For the first time, employers, workers, injured workers and service providers came together to set the priorities and future directions for the System. This plan outlines the goals and direction for the System. Common goals ensure that all agencies are working toward a similar end—safe, healthy workplaces for Nova Scotians and sustainable safety and insurance services.

  The most important aspect of the strategic plan's creation was that it was developed in consultation with stakeholders. This customer–led approach ensures that the System is heading in the right direction and operating in a manner that best reflects the interests of all stakeholders. This consultation process illustrated that the System agencies can collaborate with stakeholders for the betterment of the System and demonstrate tangible results.

  The over-riding focus of the strategic plan is on prevention of workplace injuries and illness in Nova Scotia. The WCB will continue to partner with Human Resources Development Canada (HRDC), the OHS Division of the Department of Environment and Labour, industry and safety associations, service providers, employers, and workers to foster safe behaviors in the workplace.

  In the development of the strategic plan, stakeholders were asked to articulate their views on the services the System currently provides. They then were asked to describe the ideal Workplace Safety and Insurance System for Nova Scotia. The strategic plan provides a map for how the System will move forward to close the gaps between the current reality and the future ideal. It includes a common vision, mission and goals, which reflect the input from stakeholders.

- Began to encourage occupational health and safety research in Nova Scotia. Early in 2004, the WCB will assume responsibility for the Occupational Health and Safety Division's Research Grant Program. The grants provide financial support for individuals and organizations involved in original research, scientific studies and innovative activities in the field of occupational health and safety.

  The emphasis of the program is to produce tangible results and insight into workplace safety that workers and employers can use in their day-to-day activities. The research should lead to activities, behaviours or equipment that produces concrete results in reducing hazards in Nova Scotia workplaces.

Workplace Safety and Insurance System
The Workplace Safety and Insurance System includes workers, employers, the agencies—the Workers' Compensation Board, the Workers' Compensation Appeals Tribunal (WCAT), the Workers' Advisers Program (WAP), and the Occupational Health and Safety Division (OHS)— and others who provide services in the system.

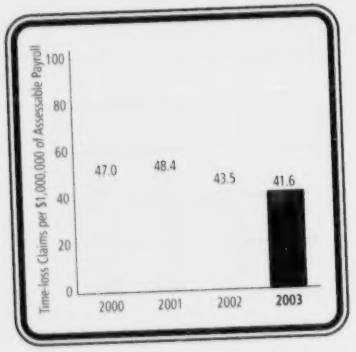
Workplace Safety and Insurance System Vision
Our vision is safe, healthy workplaces for Nova Scotians and sustainable safety and insurance services.

Workplace Safety and Insurance System Mission
Our mission is to work together to keep people healthy and safe at work, to insure against loss and to support workers' rehabilitation. We strive to be fair, open and honest in everything we do.

Workplace Safety and Insurance System Strategic Goals
- To improve outcomes for workers and employers;
- To improve service delivery;
- To ensure effective governance of the System; and
- To ensure financial sustainability of the System.

- Formed a System Performance Measures Working Group. Flowing from the strategic plan, the WCB and its partner agencies formed a stakeholder group to develop and report on performance measures for the System. This group, with representatives from labour, employer and academic communities, as well as the System agencies, will develop performance measures so Nova Scotians can determine the overall effectiveness of the System.

Injury Frequency Rate – Time-loss claims per $1,000,000 of Assessable Payroll.



Re-engineering

David Bell was working in the sawmill at Taylor Lumber in Halifax County when his life changed. Working as a Twin Saw Operator, David was positioning logs into the machine's feeder when a log became jammed. David moved to free the logs and, while lifting one, he injured his back.

After back surgery, David spent several months attending physiotherapy to help him recover some of the strength and mobility in his back and legs. The nature of David's injury and the physical nature of the work he was performing meant that he would not be able to return to his pre-accident job.

His WCB Case Manager, Cindy Shupe, began discussions with David and his employer, Robert Taylor, about a possible return-to-work date. They discussed what the options might be for David, and the employer indicated that Taylor Lumber would be willing to accommodate him in alternate duties. "Robert brought several options to the table, including working in some of the company's other operations, or altering some of the duties of the job at the mill itself." says Cindy.

"Our company's operations and our return-to-work program give us the flexibility to look at a number of different options for a successful return," says Robert. "We can really focus on what's best for the worker and the company."

Taylor Lumber gave David a job in the mill that did not have the same physical requirements as his old job, and at first, David was very successful in his return to work. However, over time Robert and David felt that David was having difficulties with this new position and that there may be a risk of re-injury if he continued in that role. "Robert approached me with a new opportunity that would allow David to work towards becoming a stationary engineer," says Cindy. "David thought the on-the-job training would be a great opportunity, and also felt this type of work wouldn't cause difficulties with his back."

Cindy, in conjunction with WCB Vocational Rehabilitation Counselor, Marlene McCluskey, met with David and Robert to develop a vocational rehabilitation (VR) plan. The plan outlined David's goals and objectives, the role each member of the team would play and David's and the employer's responsibilities. David would work as an apprentice with a Stationary Engineer already working with Taylor Lumber, and the WCB would pay for his training courses and his eventual professional certification. Taylor Lumber would provide him with the opportunity to serve his apprenticeship and time off to study for the certification exam.

"The program has really worked out for David. It helps our workers manage their injury and helps the company stay productive," says Robert.

After his apprenticeship, David passed the certification exam and was hired full-time by Taylor Lumber as a Class 4 Engineer working in the co-generation plant. "Taylor Lumber has been terrific with David. They made every attempt to help David return to work, and gave him a chance to work in a completely new field," says Marlene.

"The whole experience was a lot of hard work, but the WCB and Taylor Lumber really supported me all along the way," says David.

From left: Marlene McCluskey, David Bell, Robert Taylor and Cindy Shupe.

Dorsey Report

In 2002, a Workers' Compensation Review Committee, Chaired by James Dorsey, conducted a comprehensive review of the workers' compensation and occupational health and safety system. The Committee looked at a number of areas where service improvements could be made and the transparency of the System. The Committee recommended that the WCB begin to report annually on a number of areas. Throughout 2003, the WCB made service improvements in response to recommendations in the Dorsey Report.

In 2003, the WCB:

- Made significant improvements to its Permanent Medical Impairment (PMI) evaluation process. Previously, an injured worker may have had to wait for up to six months before being evaluated to determine if they had a permanent impairment as a result of their workplace injury or illness. As of the end of 2003, the WCB had completed all PMI exams within one month of determining an evaluation was required.

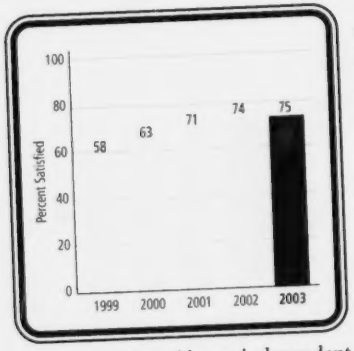
- Began tracking all cases where an injured worker has asked for a commutation (i.e. a lump-sum payment) of their permanent benefits. While requests for commutation and the rationale behind the decision were always tracked on an individual basis, this information now is compiled and will be reported annually. In 2003, there were 98 requests for commutation of benefits and all but 23 were accepted.

- Increased the clarity of the WCB's decision-making process. The WCB now tracks and monitors all cases where benefits have been suspended, terminated, or altered due to an injured worker's "non-cooperation" (for example, the worker did not participate in physiotherapy or did not participate in job search). The WCB tracks the claim and the decision to alter or terminate benefits, and the reason why this decision was rendered. In 2003, there were 14 cases where benefits were terminated or suspended as a result of worker not co-operating with the agreed upon case management plan.

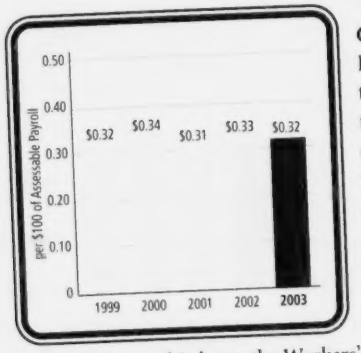
- Developed a system for tracking claims where estimates of earnings are made. One of an injured worker's key responsibilities under the *Workers' Compensation Act* is to make every effort to minimize their wage-loss. When determining long-term benefits for injured workers with permanent injuries, an Estimation of Potential Earnings Ability (EPEA) is sometimes performed. This tool is used when work is available in a particular job for which the worker has the necessary skills, but the worker chooses not to take the position. In 2003, 450 EPEAs were performed on workers' claims.

- Presented annual and quarterly reports to the Minister of Environment and Labour and verified that the information presented in these documents exceeded the reporting requirements required by the legislation (Sections 160 and 160A of the *Workers' Compensation Act*). In addition, during the year the WCB met all of its legislated obligations as listed below:
  - Collect sufficient assessments and maintain an adequate Accident Fund (Sections 115 and 116 of the *Act*) and pay all expenses out of the Accident Fund (Section 177).
  - Notify employers of assessment rates by September 1st (Sections 123 and 125).
  - Establish and maintain an experience-rating program (Section 121(7)).
  - Appoint an external auditor (Section 175).
  - Maintain WCB offices in Halifax and Sydney (Section 170).
  - Pay a grant in lieu of taxes (Section 171(4)).
  - Make specified pension contributions on behalf of WCB staff (Section 173(3)).
  - Make available to the public all policies adopted by the Board of Directors (Section 183(4)).
  - Ensure all Hearing Officer decisions are made in accordance with the *Act* and are issued within 60 days of the hearing (Sections 197 and 198). In December over 95% of all decisions were issued within 60 days.

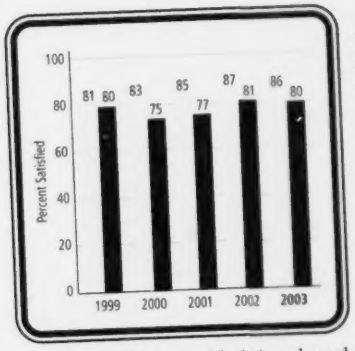
performance



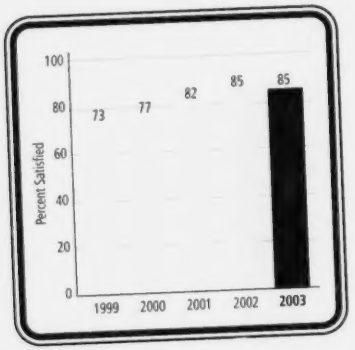
The Satisfaction with Frequency of Contact measures how satisfied injured workers are with how often we contact them about their claims. The information for this Corporate Performance Measure is gathered via the WCB's monthly injured worker surveys that are conducted by an independent research company.



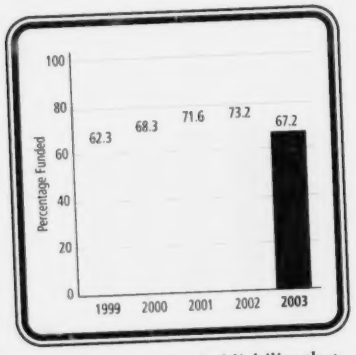
The **Administration Costs** Corporate Performance Measure takes into account the total administration costs of the organization (excluding any costs associated with the Occupational Health and Safety Division of the Department of Environment and Labour, the Workers' Advisers Program, and the Workers' Compensation Appeal Tribunal) and divides this figure by the assessable payroll of firms covered by the WCB (not including self-insured employers). This measure analyzes how effectively the WCB utilizes our resources based on the amount of economic activity insured.



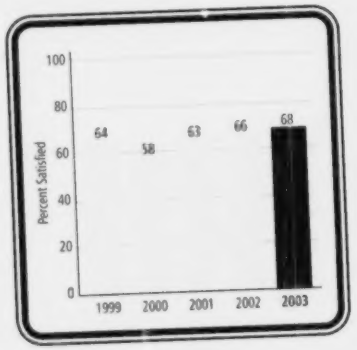
The **Satisfaction with the Politeness of WCB Staff** measures injured workers' and employers' satisfaction with the politeness of the staff in the WCB's Assessment Services Department and Client Services Division. This Corporate Performance Measure uses results drawn from the monthly injured worker and quarterly employer surveys. An independent research company conducts these surveys on the WCB's behalf.



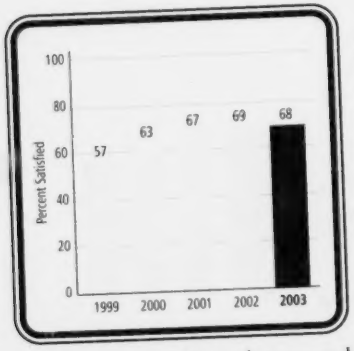
The Satisfaction with the Clarity of Letters measures how satisfied injured workers were with the letters they received from the WCB. This measure comes from the organization's monthly injured worker surveys that are conducted by an independent research company.



The **Percentage Funded** is the ratio of the WCB's total assets to its total liabilities. This number is also frequently referred to as the WCB's "funded percentage." This Corporate Performance Measure represents the WCB's ability to pay the present and future costs of all claims, and takes into account any unfunded liability that the WCB may have.



The Satisfaction with **Accessibility of WCB Staff** measures how easy it was for employers to reach WCB staff when needed. The Corporate Performance Measure comes from the WCB's quarterly employer surveys that are conducted by an independent research company.



The Satisfaction with the Clarity of Forms measures how satisfied employers are with the forms they receive from the WCB. This Corporate Performance Measure utilizes information gathered through our quarterly employer surveys that are conducted by an independent research company.

financial reporting

THE FINANCIAL STATEMENTS OF THE WORKERS' Compensation Board of Nova Scotia were prepared by management, which is responsible for the integrity and fairness of the data presented, including significant accounting judgments and estimates. This responsibility includes selecting appropriate accounting principles consistent with generally accepted accounting principles in Canada.

In discharging its responsibility for the integrity and fairness of the financial statements, management maintains the necessary internal controls designed to provide reasonable assurance that relevant and reliable financial information is produced and assets are properly safeguarded. The Internal Auditor performs periodic audits designed to test the adequacy and consistency of the WCB's internal controls.

The Board of Directors has approved the financial statements included in this Annual Report. The Board of Directors is assisted in its responsibilities by the Audit & Finance Committee. This Committee reviews and recommends approval of the financial statements and meets periodically with management, the independent actuaries and the internal and external auditors concerning internal controls and all other matters relating to financial reporting.

The firm of Eckler Partners Ltd. has been appointed as independent consulting actuaries to the WCB. Their role is to complete an independent annual actuarial valuation of the benefits liabilities included in the financial statements of the WCB and to report thereon in accordance with accepted actuarial principles.

Ernst & Young LLP, the external auditors of the WCB, have performed an independent audit of the financial statements of the WCB in accordance with auditing standards generally accepted in Canada. The Auditors' Report outlines the scope of this independent audit and the opinion expressed.

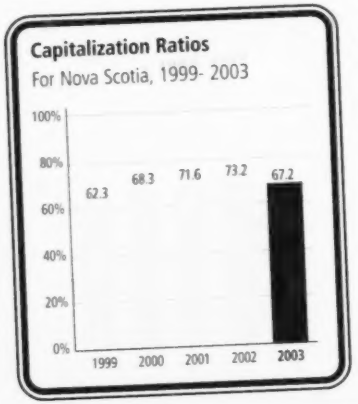
Stuart MacLean
Acting Chief Executive Officer

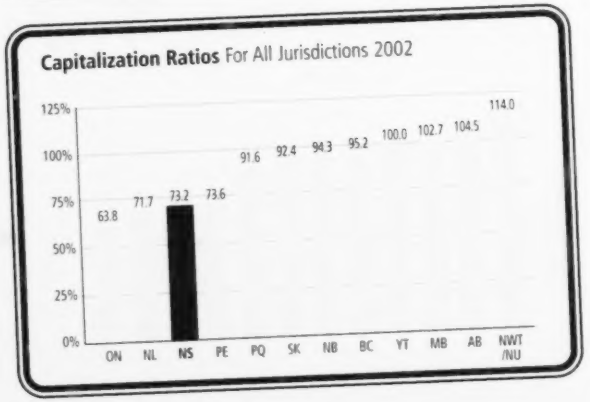
Leo D. McKenna, CA
Vice-President, Finance
and Chief Financial Officer

management

AS AN INTEGRAL PART OF THE ANNUAL REPORT, the Management Discussion and Analysis provides further insight into the operations and financial position of the Workers' Compensation Board. The discussion and analysis should be read in conjunction with the audited financial statements and supporting notes.

The WCB operates under the authority of the Workers' Compensation Act and is responsible, in accordance with the provisions of the Act, for administering the payment of benefits to injured workers and for levying and collecting assessment revenues in an amount sufficient to cover the current and future costs of compensation claims. The WCB obtains its revenues from premiums based on assessable payrolls and reimbursements from self-insured employers. The WCB provides coverage to approximately 71% of workers employed in Nova Scotia.





Statement of Financial Position

Assets

Receivables

The WCB's receivables consist primarily of amounts owed by employers for 2003 premiums, an amount due from the Canada Customs and Revenue Agency collected from employers on behalf of the WCB and the recoverable portion of benefit overpayments.

Investments

The Board of Directors oversees the WCB's investment policies and performance. The Investment Committee is a standing committee, advisory to the Board of Directors. The Committee reviews and reports to the Board of Directors on the administration, supervision, and management of the investment program.

The WCB's assets are diversified among a variety of asset classes in order to optimize returns and manage risk. Investment management for long-term investments is delegated to several external investment managers. The external investment managers are required to comply with the WCB's Statement of Investment Policies and Objectives that outlines permissible investments. In 2002, the WCB chose to move to an index manager for approximately one-third of the portfolio.

The established investment target overall is to exceed the rate of return generated by the benchmark portfolio by .65% before management fees, based on five-year, moving average time periods.

For active managers the objective is to exceed the return generated by the benchmark portfolio by 1.0% before investment management fees, based on five year, moving average time periods.

For the indexed manager, the objective is to match the return generated by the fund benchmark portfolio with a tracking error of +/-0.25% before investment management fee, based on five year, moving average time periods.

Note 5 of the financial statements indicates that the book value of the WCB's investments has increased by $67.3 million since 2002. Investment returns on the externally-managed portfolio on a market basis were 12.7% in 2003. The target for the five years ended December 31, 2003 was 5.15% and the WCB's actual return was 6.8%. The WCB's target was achieved.

The WCB's investment portfolio reflects the deferral of gains and losses to be amortized over a five-year period in accordance with generally accepted accounting principles. The 2003 benchmark portfolio and asset class ranges are as follows:

Asset Class	Benchmark	Minimum	Maximum
Canadian Equity	30%	20%	40%
Foreign Equity (including U.S.)	30%	20%	40%
Total Equity	**60%**	**50%**	**70%**
Fixed Income	40%	30%	50%
Short-term Investments and Cash	0%	0%	15%
Total Fixed Income and Cash	**40%**	**30%**	**50%**

Property and Equipment

Additions to capital assets in 2003 were concentrated in office furniture, computer hardware and software, and process development.

Liabilities

Payables

The principal items recorded under payables are trade accounts payable and accrued liabilities. Payables have decreased slightly for 2003 to $11.3 million from $12.8 million.

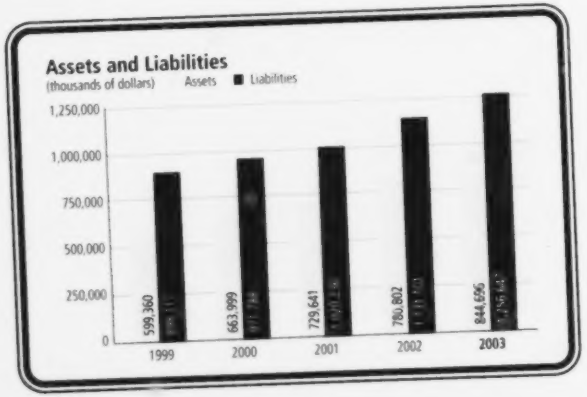
Employee Future Benefits

The WCB has provided for employee future benefits other than pensions including retirement allowances and post retirement life insurance, dental, and medical programs. This amount has increased $0.4 million from 2002.

Benefits Liabilities

The WCB's benefits liabilities represents the actuarial present value at December 31, 2003 of all expected health-care payments, short-term disability benefits, long-term disability benefits, survivor benefits and rehabilitation payments that will be made in future years, and which relate to claims arising from events that occurred on or before December 31, 2003.

The benefits liabilities grew by 11.4% as set out in detail in Note 8 to the financial statements. The change in most years is attributable primarily to the change in the present value of claims payable in future years, as calculated through the annual actuarial valuation process.



2003 was not a typical year with respect to the WCB's benefits liabilities. On October 3, 2003 the Supreme Court of Canada found that certain sections of the *Workers' Compensation Act*, relating to compensation for chronic pain, are unconstitutional. The Supreme Court further ruled that the unconstitutional sections of the Act and policies relating to chronic pain benefits are to be removed by April 3, 2004. Legislation amending the Act has been introduced but has not yet been finalized. There is a high probability that the changes associated with the pending legislation will result in costs that will increase the benefits liability, however the magnitude of the costs are not yet determinable. Current estimates of the increase in liabilities for all employers range from $198.5 million to $316.4 million.
As described in Note 12, the benefit liabilities related to self-insured employers are not included in the WCB's benefits liabilities account. Current estimates of the increase in liabilities excluding the self-insured employer portion range from $158.8 million to $253.0 million. No amount within the range is indicated as a better estimate than any other. The lower end of this range is included in the benefits liability of the current year financial statements with an additional $9.5 for future claims administration for a total of $168.3 million.

Unfunded Liability

The WCB's liabilities total $1.26 billion and assets total $844.7 million, resulting in an unfunded liability of $412.0 million at the end of 2003. The WCB's funding percentage has decreased from 73.2% to 67.2% as at December 31, 2003.

In workers' compensation, assessment revenue should roughly equal current year costs, otherwise transfers to/from future or past employers are occurring. This will be the case in Nova Scotia until the unfunded liability is eliminated. Over the long term, investment income should be expected to equal liability requirements. This is unlikely to be achieved when there is a significant unfunded liability. Actuarial adjustments, in a stable system, should be held to marginal levels, reflecting minor differences between actual experience and estimates.

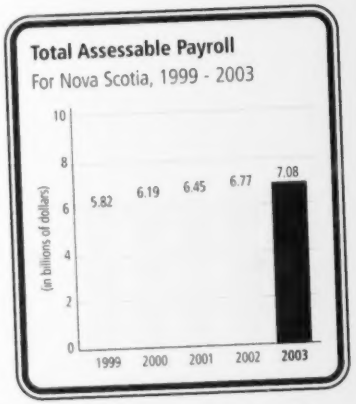
Statement of Operations and Unfunded Liability

The operating results for 2003 and 2002 may be attributed to the following factors:

($000's)	2003	2002
Assessment Revenue in Excess of Current Year Costs	**$ 54,529**	$ 45,513
Investment Income below Liability Requirements	**(44,173)**	(52,202)
Lower Actuarial Liabilities than Previously Anticipated	**96,320**	29,600
Adjustment to benefit liabilities	**(168,328)**	(21,540)
Excess of (Expenses over Revenue) Revenue over Expenses	**$ (61,652)**	$ 1,370

Revenues

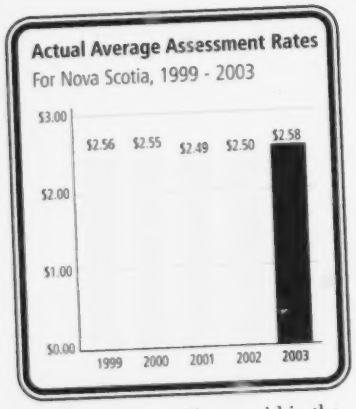
Assessment Revenue



Assessment revenue increased $14.6 million (7.2%) from 2002 levels. Revenues from registered firms increased $13.1 million (7.7%). This increase is primarily attributed to a rise in the average rate from $2.504 to $2.579 and by an increase in assessable payroll of 4.5%. The targeted average assessment rate has remained stable at $2.54 since 1994. The actual average assessment rate in 2003 was slightly above that target. The self-insurers experienced slightly higher claims payments in 2003, which resulted in higher direct premiums and administration charges billed of $1.3 million.

Investment Income

Investment income is derived from interest on short-term investments and income on the long-term investments managed by external investment managers. The recorded income reflects the WCB's accounting policies with respect to the deferral and amortization of both realized and unrealized gains and losses within the equity and fixed income components of the actively-traded portfolio.



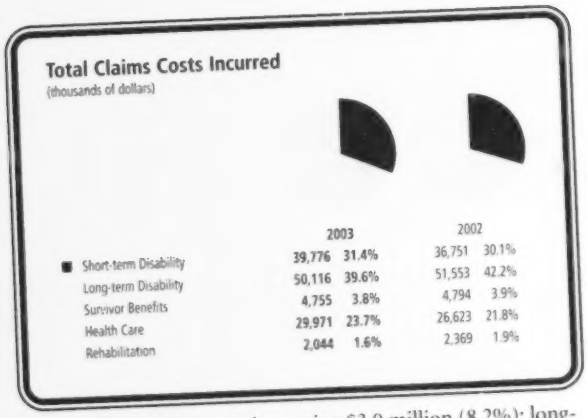
Total investment income is $38.4 million for 2003, an increase of $11.1 million (40.6%) over 2002 levels. These results reflect a year in the capital markets which saw the S & P/TSX Composite increase 26.7%, the S & P 500 increase 5.3% in Canadian dollars, and the MSCI EAFE increase 13.4%. The bond markets showed positive returns at 6.7%.

Expenses

Claims Costs Incurred

Claims costs incurred are an estimate of the costs related to compensable injuries which occurred in 2003. These estimates take into account both unreported claims and reported, but as yet unpaid claims. As in previous valuations, the benefits liabilities do not include any provision for future claims related to occupational disease. The benefits liability now includes a provision for future expenses of administration of existing claims.

Claims costs incurred were $4.6 million (3.8%) higher than 2002. Claims categories with significant fluctuations included short-term disability costs increasing $3.0 million (8.2%); long-term disability costs decreasing $1.4 million (2.8%); and health care costs increasing $3.3 million (12.6%). Several factors influenced this aggregate result:


Total Claims Costs Incurred
(thousands of dollars)
2003
2002
Short-term Disability 39,776 31.4% 36,751 30.1%
Long-term Disability 50,116 39.6% 51,553 42.2%
Survivor Benefits 4,755 3.8% 4,794 3.9%
Health Care 29,971 23.7% 26,623 21.8%
Rehabilitation 2,044 1.6% 2,369 1.9%

Total accidents reported decreased about 0.6% and reported time-loss claims increased 2.6% from 2002.

The short-term disability increase reflects increases in payments over the last three years and increased durations (6.7%) in 2003.

The net decrease in long-term disability claims costs combines two different features, namely the decrease in expected earnings-loss payments and reduction in Clinical Rating Schedule (CRS) costs. Earnings-loss expenditures reflect experience under the new Act.

The increase in health care costs reflect the increases in payments over the last three years due to increasing cost of services coupled with increased utilization of services.

CRS costs dropped moderately. This decline reflects the ongoing impact of replacing the earlier pension system with the legislated earnings-loss approach to impairments, which came into effect in 1996 for accidents occurring after March 23, 1990.

Growth in Present Value of Liabilities, Change in Assumptions and Actuarial Experience Adjustments

The growth in present value of benefits liabilities is the increase in the present value of prior years' claims due to an interest amount reflecting the time value of money. In 2003 this amount was $82.5 million or approximately 7.4% of the benefits liabilities.

Our actuary made a number of changes in assumptions reducing the liabilities for prior years' claims totaling $86.1 million including:

- Provisions for payments relating to medical claims increased the liability by $7.7 million, as a result of increasing the cost increase assumption from 1.0% to 1.5% greater than the Consumer Price Index.

- Based on experience, the liability for pending claims was reduced by $118.6 million with the introduction of new claims run-off tables for the number of potential new Extended Earnings Replacement Benefit claims. The new claims run off tables are based on actual experience with claims for Extended Earnings Replacement Benefit claims from 1996 to 2003.

- Based on experience, the liability for Permanent Impairment Benefit and Extended Earnings Replacement Benefits awards was increased by $24.8 million reflecting changes to the expected average benefit amount and average age at accident date.

Actuarial experience adjustments represent the adjustments to the present value of prior years' claims which were not anticipated in the prior year's valuation. Actuarial experience adjustments are $10.2 million in 2003 as indicated in Note 8 of the financial statements.

Administrative Cost

In 2003, the WCB began recording a provision for future administration costs in the benefits liabilities for current claims to be consistent with industry practice. Administrative expenditures totaled $26.8 million, an increase of $1.3 million (5.2%) from 2002. The increase is attributable to the following:

- Salaries and staff expense increased $1.1 million reflecting an increase in the staff complement and a new collective agreement.
- Other costs increased $0.6 million reflecting the increase in the staff complement and increased activity levels in various areas during the year.
- These increases were offset by an increase of $0.4 million in the net change in the liability for future administration costs.

Legislated Obligations

The Workers' Compensation Act requires the WCB to pay the Province of Nova Scotia a portion of the costs of the Occupational Health and Safety Division of the Department of Environment and Labour, the costs of operating the Workers' Compensation Appeals Tribunal, the costs of operating the Workers' Advisers Program and the costs of the Workers' Compensation Review Committee, and the costs of funding Injured Workers' Associations selected by the Department of Environment and Labour.

In 2003, Occupational Health and Safety expenditures were $4.5 million, a decrease over 2002 levels of $0.3 million. The reduction reflects the transfer of certain prevention responsibilities to the WCB. The WCB's expenditure is set by Order-in-Council and reflects the pro-rata share of the Department of Environment and Labour's expenditure in Occupational Health and Safety. The pro-rata share is based on the ratio of the WCB's covered workforce to the OH&S covered workforce.

The cost to administer the external appeals process in 2003 was $1.5 million, an increase of $0.1 million (3.1%) over 2002 levels.

The cost to administer the Workers' Advisers Program was $2.1 million in 2003, an increase from $2.0 million for 2002 or 4.4%.

Excess of Expenses Over Revenue

In 2003, total revenues of $254.5 million, less total expenditures of $147.8 million, yielded excess revenue over expenses of $106.7 million. After an adjustment to the benefits liabilities of $168.3 million this leaves an excess of expenses over revenues of $61.7 million. This excess increases the unfunded liability.

Statement of Cash Flows

During 2003, the decrease in cash was $3.7 million.

Revenue received for premiums has increased $13.0 million from 2002. Investment revenue recorded represents an increase of $1.6 million.

Cash flow decreased $10.6 million due to the increase in cash paid for claims. Disbursements relating to administrative services are up $1.6 million from 2002.

Cash flow decreased by $13.5 million due to the increase in cash used for investment purposes. Investment in capital assets in 2003 was $0.5 million, a decrease of $1.0 million from 2002.

The Funding Strategy

The net results for 1995 - 2003 are somewhat better than anticipated in our initial Funding Strategy in that the unfunded liability is $412.0 million or 67.2% funded at the end of 2003 while it was expected to be $428.6 million or 43%.

The original Funding Strategy, which started in 1995, was based on a 45-year program to eliminate the unfunded liability and reflected assumptions regarding estimated costs and revenues. These assumptions were somewhat conservative but reasonable at the time they were made, as they were based on twenty-one years of historical data indicating that the compound rate of increase in claims costs incurred and administration costs had outpaced the rate of increase in assessable payroll by more than 2%. In addition, assessable payroll had actually declined slightly over the last three years of the period.

In looking ahead, it is worth noting our experience with adjustments to the Funding Strategy to date. Our financial results in the first nine years of our Funding Strategy (1995 - 2003) were somewhat better than expected primarily due to increasing assessable payroll coupled with lower than anticipated claims costs incurred during this period, better than expected investment returns, and lower than anticipated inflation. This allowed the discount rate used to value the WCB's liabilities to be reduced from 4.75% to 3.50% at the end of 1997. The WCB also absorbed an adjustment of $40.2 million to the benefits liabilities during 1998, leaving the WCB essentially on target with the unfunded liability at the end of 1998 as expected in the original Funding Strategy.

Based on continued positive financial results, the WCB revised its Funding Strategy during 1999 and 2000 to shorten the period over which the unfunded liability is eliminated. It was then expected to be eliminated in 2010, 29 years before the original projection of 2039.

The WCB's annual revision to the Funding strategy in June 2002 extended the year in which the unfunded liability was expected to be eliminated to 2014. The WCB's annual revision to the Funding Strategy in June 2003 left the year in which the unfunded liability was expected to be eliminated at 2014. This was based on an expected excess of expenses over revenue of $9.5 million. The actual excess of expenses over revenues for 2003 was $61.7 million. This is $52.2 million more than expected in the Funding Strategy. Given the number of variables affecting the funding position, swings can be expected. 2003 represented the third year in a row which could be considered a significant setback after six years of very positive results.

The 2003 shortfall is made up of assessment premiums $6.1 million more than expected, investment revenue $4.2 million more than expected, claims costs incurred $9.4 million less than expected, growth in present value $3.7 million more than expected and actuarial assumption changes and experience adjustments $96.0 million less than expected, administration and legislated obligations $4.2 million less than expected, and the adjustment to benefit liabilities of $168.3 million which was not expected.

Note 8 of the financial statements details two areas of uncertainty, actuarial experience and chronic pain-related benefits, which might have a significant impact on the WCB's benefits, liabilities and Funding Strategy.

Outlook

As our Annual Report containing the 2003 Financial Statements goes to print, we know that the Workers' Compensation Review Committee Report (Dorsey Report, 2002) and the Supreme Court of Canada decision on chronic pain related benefits (October, 2003) continue to be considered by stakeholders, Government and the Board of Directors of the WCB. We are not able to assess the impact, if any, of any changes that might flow from legislative changes in response to the Dorsey Report on the WCB's Funding Strategy. We have included an estimate of the liability for chronic pain related benefits in the 2003 Financial Statements.

Funding of the workers' compensation system reflects the balance struck between the level of benefits, rates charged to employers and the WCB's funding position. When financial results are different than the target, whether better or worse, the choice becomes: adjust benefits, adjust rates, or adjust the WCB's funding position by lengthening or shortening the period over which the unfunded liability is eliminated. As the level of benefits is set by the legislature, subject to interpretation by the courts, the funding equation is not entirely within the control of the WCB as the neutral administrator.

As described above, we have a shortfall from the target in 2003. The WCB's Board of Directors will revisit the Funding Strategy as part of the annual budget process in June 2004. These changes are expected to require either lengthening the period over which the unfunded liability is eliminated or an increase in assessment rates, or some combination of these two factors.

It is important to realize that while our financial position has improved over the last nine years, there are many years remaining to achieve our overall goal of financial stability and full funding. As we have noted in previous Annual Reports, investment returns and inflation are, of course, subject to significant volatility.

The WCB recognizes that there will be variances from the Funding Strategy each year. Sometimes these changes will be temporary, sometimes longer term. Sometimes variances will be negative and then swing back in a positive direction. Often, variances will be driven by external events, such as gains or losses in the capital markets, which are substantially outside the WCB or its stakeholders' control.

The WCB's Funding Strategy contains numerous assumptions about future financial performance and spans many years. The length of the period coupled with the number of assumptions makes the Funding Strategy fairly sensitive or leveraged to changes in the early years with relatively small changes in the early years potentially having a significant impact in the later years.

Although the Funding Strategy clearly labels assumptions as such, many users may credit the strategy with more certainty and precision than warranted given the number and nature of assumptions it contains. Users should remember that the Funding Strategy is our best estimate of what will happen given the assumptions. As noted in previous Annual Reports and the Funding Strategy, actual results will differ from the projections and these differences may be material.

auditor's

To the Members of the Board of Directors
Workers' Compensation Board of Nova Scotia

We have audited the statements of financial position of the Workers' Compensation Board of Nova Scotia (the "WCB") as at December 31, 2003 and 2002 and the statements of operations and unfunded liability and cash flows for the years then ended. These financial statements are the responsibility of the WCB's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the WCB as at December 31, 2003 and 2002 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Halifax, Nova Scotia
March 5, 2004

Ernst & Young LLP
Chartered Accountants

Statement of Financial Position

as at December 31 (thousands of dollars)

	2003	2002 (Restated - Note 3)
ASSETS		
Cash and cash equivalents (Note 13)	$ 29,570	$ 33,314
Receivables (Note 4)	20,424	17,965
Investments (Note 5)	782,815	715,483
Property, equipment and other assets (Note 6)	11,887	14,040
	$ 844,696	$ 780,802
LIABILITIES		
Payables and accruals	$ 11,341	$ 12,817
Employee future benefits (Notes 2f, 7 and 17)	4,234	3,838
Benefits liabilities (Note 8)	1,241,072	1,114,446
	1,256,647	1,131,101
Unfunded liability	(411,951)	(350,299)
	$ 844,696	$ 780,802

Commitments (Note 15)
Contingencies (Note 16)

The accompanying notes are an integral part of the financial statements.

Approved on behalf of the Board of Directors:

Louis R. Comeau
Chair

James J. White
Chair, Audit and Finance Committee

Statement of Operations and Unfunded Liability

Year ended December 31 (thousands of dollars)

	2003	2002 (Restated - Note 3)
Revenue		
Assessments (Notes 9 and 13)	$ 216,114	$ 201,526
Net investment income (Notes 5 and 13)	38,363	27,294
	254,477	228,820
Claims costs incurred (Notes 8 and 13)		
Short-term disability	39,776	36,751
Long-term disability	50,116	51,553
Survivor benefits	4,755	4,794
Health care	29,971	26,623
Rehabilitation	2,044	2,369
	126,662	122,090
Growth in present value of benefits liabilities and actuarial experience adjustments (Note 8)	(13,784)	49,897
Administration costs (Notes 10 and 13)	26,777	25,453
Legislated obligations (Note 11)	8,146	8,470
	147,801	205,910
Excess of revenue over expenses before the following	106,676	22,910
Adjustment to benefits liabilities (note 8)	168,328	21,540
Excess of (expenses over revenue) revenue over expenses applied to (increase) reduce the unfunded liability	(61,652)	1,370
Unfunded liability, beginning of year, as originally stated	(286,332)	(290,595)
Restatement (Note 3)	(63,967)	(61,074)
Unfunded liability, beginning of year, as restated	(350,299)	(351,669)
Unfunded liability, end of year	$ (411,951)	$ (350,299)

The accompanying notes are an integral part of the financial statements.

Statement of Cash Flows

Year ended December 31 (thousands of dollars)

	2003	2002 (Restated - Note 3)
Operating Activities		
Cash received from:		
Employers, for assessments	$ 211,372	$ 198,334
Net investment income	22,700	21,057
	234,072	219,391
Cash paid to:		
Claimants or third parties on their behalf	(150,980)	(140,364)
Suppliers, for administrative and other goods and services	(34,698)	(33,125)
	(185,678)	(173,489)
Net cash provided by operating activities	48,394	45,902
Investing Activities		
Increase in investments, net	(51,670)	(38,176)
Cash paid for:		
Purchases of equipment	(468)	(1,520)
Net cash used in investing activities	(52,138)	(39,696)
Net (decrease) increase in cash and cash equivalents	(3,744)	6,206
Cash and cash equivalents, beginning of year	33,314	27,108
Cash and cash equivalents, end of year	$ 29,570	$ 33,314

The accompanying notes are an integral part of the financial statements.

Notes to Financial Statements

Year ended December 31, 2003 and 2002 (thousands of dollars)

1. NATURE OF OPERATIONS

The Workers' Compensation Board of Nova Scotia (the "WCB") was established by the Nova Scotia Legislature in 1917, under the *Workers' Compensation Act* (the "*Act*"), and as such is exempt from income tax. The WCB is responsible, in accordance with the provisions of the *Act*, for administering the payment of benefits to injured workers; levying and collecting assessment revenues from established classes of employers in amounts sufficient to cover the costs of claims and administration; and investing funds held for future benefit payments.

A new *Act* received Royal Assent on February 6, 1995. Amendments to the *Act* received Royal Assent on April 16, 1999. Further amendments to the *Act* received Royal Assent on May 30, 2002 and November 28, 2002.

2. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with generally accepted accounting principles, within the framework of the following accounting policies:

a) **Cash and Cash Equivalents.** Money market instruments with original maturities of three months or less are considered to be cash equivalents and are recorded at cost, which approximates current market value.

b) **Assessments Receivable.** Assessments receivable and assessment revenue include a provision for unbilled assessments to reflect anticipated revisions based upon actual payroll information received in the following year.

c) **Investments.** Fixed-term investments are recorded at amortized cost. Gains or losses realized on disposal of fixed-term investments are amortized on a straight-line basis over a five-year period.

Equity investments are stated at moving average market value. Under this method unrealized gains and losses occurring during the year, together with gains and losses realized on disposal of equities during the year, are deferred and amortized on a straight-line basis over a five-year period.

Where it is determined that a permanent impairment in the carrying value of the entire investment portfolio has occurred, the carrying value of the portfolio is written down to recognize the loss and the write down is included in the income of the year in which it occurs.

d) **Property and Equipment.** Property and equipment are stated at cost, less accumulated amortization. Amortization is charged on a straight-line basis over a period of 40 years for the building, and 5 to 10 years for furniture and facilities, equipment and computer hardware. Amortization is charged on a straight-line basis over a period from 5 to 10 years for software and process development and on a declining balance basis at an annual rate of 50 percent for software purchases. In the year of acquisition, a half-year's amortization is taken.

e) **Other Assets.** Other assets are stated at cost, less accumulated amortization, which is charged on a straight-line basis over 25 years.

f) **Employee Future Benefits.** Costs for employee future benefits, other than pensions (note 17) are accrued over the periods in which the employees render services in return for these benefits. Any related actuarial gains and losses are amortized on a straight-line basis over the employees average remaining service life.

g) **Benefits Liabilities.** An independent actuary completes a valuation of the Benefits Liabilities of the WCB at each year-end. The Benefits Liabilities represent the actuarial present value of all future benefits payments expected to be made for accidents which occurred in the current fiscal year or in any prior year. The Benefits Liabilities include provision for all benefits provided by current legislation, policies and/or administrative practices in respect of existing claims and for future costs of administering existing claims. No provision has been made for future claims related to occupational disease.

h) **Foreign Currency Translation.** Investments denominated in foreign currencies are converted to Canadian dollars at rates of exchange prevailing at the balance sheet date. The resulting translation adjustment is accounted for on a basis consistent with the accounting policy for Investments.

i) **Use of Estimates.** The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, specifically benefits liabilities, at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results may differ materially from those estimates. Decisions of the WCB may be appealed to the Workers' Compensation Appeals Tribunal, subsequently to the Nova Scotia Court of Appeal and finally to the Supreme Court of Canada. Rulings by these bodies may have the potential to impact benefits liabilities.

j) **Financial Instruments.** The carrying values of the WCB's financial instruments, other than investments, approximate fair values because of their short-term maturity and normal credit terms.

The WCB's accounts receivable are not subject to significant concentration of credit risk because the accounts are owed by a large number of employers, the Province of Nova Scotia and the federal government, on normal credit terms. At December 31st, 2003 and 2002 the WCB did not have any exposure relating to derivative instruments.

3. RESTATEMENT OF PRIOR PERIODS' BENEFITS LIABILITIES

During the year, prior years' financial statements were restated to include a provision for the future cost of administering claims. The effect of the restatement is that the December 31, 2002 unfunded liability has increased by $63,967 (2001 - $61,074). The financial statements have been restated to reflect changes in the unfunded liability balance as follows:

	2003	2002
Increase in benefits liabilities at December 31, 2002 & 2001	$ 63,967	$ 61,074
Decrease in administration costs	(1,445)	(1,060)
(Decrease)/Increase in growth in present value and actuarial adjustments	(949)	2,718
Increase in adjustment to benefits liabilities	9,528	1,235
Increase in unfunded liability at December 31	$ 71,101	$ 63,967

4. RECEIVABLES

	2003	2002
Assessments	$ 15,704	$ 16,807
Self-insured employers	7,570	3,920
	23,274	20,727
Assessments receivable	(4,001)	(4,001)
Self-insured employers – deposits	218	323
Harmonized Sales Tax rebate	933	916
Other	$ 20,424	$ 17,965

Assessments receivable are net of an allowance for doubtful accounts of $1,950 in 2003 (2002 - $1,140). Other receivables are net of an allowance for doubtful accounts of $142 in 2003 (2002 - $133).

5. INVESTMENTS

	2003 Carrying Value	2003 Fair Market Value	2002 Carrying Value	2002 Fair Market Value
Money market	$ 27,276	$ 27,276	$ 16,951	$ 16,951
Fixed-term investments	257,748	263,980	248,450	254,929
Equities	500,003	506,243	454,467	407,625
Accrued interest	1,792	1,708	2,210	2,108
	786,819	799,207	722,078	681,613
Deferred realized investment and foreign exchange gains	(4,004)	—	(6,595)	—
Total	$ 782,815	$ 799,207	$715,483	$ 681,613

Deferred realized investment and foreign exchange gains (losses)

	2003	2002
Balance, Beginning of year	$ 6,595	$ 42,184
Realized net (losses) gains for the year	7,181	(24,857)
	$ 13,776	$ 17,327
	(9,772)	(10,732)
Balance, end of year	$ 4,004	$ 6,595

Investment Income		
Interest and dividends	$ 20,876	$ 21,366
Amortization of deferred realized investment gains	9,772	10,732
Amortization of deferred unrealized investment gains (losses)	8,561	(3,426)
	$ 39,209	$ 28,672
Less: Portfolio management expenses	(846)	(1,378)
Total Investment Income	$ 38,363	$ 27,294

6. PROPERTY, EQUIPMENT AND OTHER ASSETS

	2003 Cost	2003 Accumulated Amortization	2003 Net Book Value
Land	$ 155	$ -	$ 155
Building	3,440	1,520	1,920
Furniture and facilities	2,472	967	1,505
Equipment and computer hardware	2,651	1,958	693
Software and process development	14,126	8,162	5,964
Other assets (a)	3,750	2,100	1,650
	$ 26,594	$ 14,707	$ 11,887

	2002 Cost	2002 Accumulated Amortization	2002 Net Book Value
Land	$ 155	$ -	$ 155
Building	3,380	1,387	1,993
Furniture and facilities	2,358	760	1,598
Equipment and computer hardware	2,807	1,877	930
Software and process development	14,834	7,270	7,564
Other assets (a)	3,750	1,950	1,800
	$ 27,284	$ 13,244	$ 14,040

a) During 1990, the WCB paid $3,750 to the Province of Nova Scotia for the exclusive right to utilize a 16 bed unit at the Queen Elizabeth II Health Sciences Centre for a period of 25 years.

7. EMPLOYEE FUTURE BENEFITS

The WCB has provided for employee future benefits other than pensions consisting of retirement allowances, and post employment life insurance, dental and medical programs. The significant actuarial assumptions adopted in measuring these accrued benefit obligations are as follows:

	Benefit Plans Other Than Pension 2003	Benefit Plans Other Than Pension 2002
Discount Rate	6.75%	6.75%
Expected health care costs trend rate	7% decreasing annually by 1% increments to an ultimate rate of 5%	8% decreasing annually by 1% increments to an ultimate rate of 5%
Drug claim increases trend rate	9% decreasing annually by 1% increments to an ultimate rate of 6%	10% decreasing annually by 1% increments to an ultimate rate of 6%
Retirement age assumption	59 years	59 years

The current year's net expense incurred for future employee benefits is $452 (2002 - $452).

8. BENEFITS LIABILITIES

	Short-Term Disability	Long-Term Disability	Survivor Benefits	Health Care	Rehabilitation	Claims Administration	Total 2003	Total 2002 (Restated)
Balance, beginning of year	$ 64,161	$ 734,739	$ 121,835	$ 119,291	$10,453	$63,967	$1,114,446	$ 1,064,052
Growth in present value of benefits liabilities	4,701	54,639	8,813	8,846	794	4,743	82,536	79,497
Change in actuarial assumptions (a)	-	(87,907)	(544)	7,005	284	(4,942)	(86,104)	(29,438)
Actuarial experience Adjustments (b)	(2,182)	(16,188)	2,823	9,116	(3,035)	(750)	(10,216)	(162)
	2,519	(49,456)	11,092	24,967	(1,957)	(949)	(13,784)	49,897
Claims costs incurred	39,776	50,116	4,755	29,971	2,044	6,122	132,784	127,994
Claims payments made	(42,727)	(62,556)	(13,416)	(32,653)	(1,783)	(7,567)	(160,702)	(149,037)
Adjustments to Benefits liabilities (c, d)	-	158,800	-	-	-	9,528	168,328	21,540
Balance, end of period	$ 63,729	$ 831,643	$ 124,266	$ 141,576	$ 8,757	$71,101	$1,241,072	$1,114,446

All liabilities were calculated using an underlying assumption of 3.5% for real rate of return on assets and a rate of increase in the Consumer price index equal to 4% per annum. The gross rate of return that results from the CPI and the real rate of return assumptions is 7.5% per annum. The inflation assumptions and the resulting net interest rates are as follows:

2002 and 2003 Category	Inflation Formula	Resulting Inflation Rate	Resulting Net Interest Rate
Supplementary Benefits	0.5% + CPI	4.5%	3.0%
LTD, Survivor Pensions	50% * CPI	2.0%	5.5%
Medical Aid, Rehabilitation and non-income*	1.5% + CPI	5.5%	2.0%
*2002 Assumption	1.0% + CPI	5.0%	2.5%
All others	CPI	4.0%	3.5%

The WCB's independent actuaries, in their report of March 2004, have noted that limited claims experience is available in respect of earnings-loss benefits to be granted only in the future upon aggregate benefits liabilities, as the earnings-loss system was only introduced in 1995. The portion of the WCB's recorded benefits liabilities earnings-loss benefits to be granted in the future is $317,100.

Recorded benefits liabilities are based upon the best estimation techniques presently available to the WCB. However, it is possible that subsequent independent actuarial estimates may vary based upon the more extensive experience and data under the new earnings-loss procedures that will become available over time. The probability and the magnitude of such a variance, which could be material, is presently undeterminable.

a) In 2003, changes were made in the actuarial assumptions reducing the overall benefits liabilities by $86,104 (2002 - $29,438). In 2003 the changes included;
   - Provisions for payments relating to medical claims increased the liability by $7,700, as a result of increasing the cost increase assumption from 1.0% to 1.5% greater than the consumer price
   - Base on experience, the liability for pending claims was reduced by $118,600 with the introduction of new claims run off tables for the number of potential new extended earnings replacement benefit claims
   - Based on experience, the liability for permanent impairment benefit and extend earnings replace benefit awards was increased by $24,800 reflecting changes to the expected average benefit amount and average age at accident date.

b) Actuarial experience adjustments represent the difference between what is predicted based on the actuarial assumptions and methods used in the prior valuation and what actually occurred in the year.

c) On October 3, 2003 the Supreme Court of Canada found that certain sections of the *Workers' Compensation Act*, relating to compensation for chronic pain, are unconstitutional. The Supreme Court further ruled that the unconstitutional sections of the *Act* and policies relating to chronic pain benefits are to be removed by April 3, 2004. Legislation amending the *Act* has been introduced but has not yet been finalized. There is a high probability that the changes associated with the pending legislation will result in costs that will increase the benefits liability, however the magnitude of the costs are not yet determinable. Current estimates of the increase in liabilities for all employers range from $198,500 to $316,400. As described in Note 12, the benefit liabilities related to self-insured employers are not included in the WCB's benefits liabilities account. Current estimates of the increase in liabilities excluding the self-insured employer portion range from $158,800 to $253,000. No amount within the range is indicated as a better estimate than any other. The lower end of this range is included in the benefits liability of the current year financial statements with an additional $9,528 for future claims administration for a total of $168,328.

d) Introduced in 1995, the Supplementary Benefit Program provides benefits to injured workers with permanent disabilities who, because of their date of injury, do not qualify to be considered for earnings loss benefits under the *Workers' Compensation Act*. In April 2002, the Workers' Compensation Review Committee released its report on a review of the workers' compensation system. The Review Committee concluded that the amount payable under the current Supplementary Benefit Program was not sufficient and an increase in the benefit amount was required. The Committee recommended an amendment to the legislation and regulation "to remove the monthly maximum payment and increase the income threshold for individuals to one-half the average industrial wage from year to year." In November 2002, this recommendation was adopted by government effective October 1, 2002. The cost of implementing this change is an estimated one-time increase of $21,540 to the WCB's benefits liabilities.

9. ASSESSMENTS

	2003	2002
Assessed Employers	$ 182,795	$ 169,659
Self-insured employers (Note 12)	31,593	30,327
Assessment and reporting penalties	1,259	1,134
Premium adjustment charge	467	406
	$ 216,114	$ 201,526

Assessment revenue is shown net of bad debt expense of $1,333 in 2003 (2002 - $1,280).

10. ADMINISTRATION COSTS

	2003	2002
Salaries and staff expense	$ 19,507	$ 18,429
Amortization	2,611	2,586
Services contracted	1,502	1,223
Building operations	1,337	1,200
Supplies	856	789
Professional fees	700	665
Communications	717	639
Travel and accommodations	489	520
Training and development	455	409
Equipment rental	29	37
Miscellaneous	19	16
	$ 28,222	$ 26,513
Decrease in Liability for Future Administration Costs	(1,445)	(1,060)
	$ 26,777	$25,453

11. LEGISLATED OBLIGATIONS

	2003	2002
Occupational Health and Safety	$ 4,531	$ 4,834
Workers' Compensation Appeals Tribunal	1,478	1,434
Workers' Advisers Program	2,062	1,975
Injured Workers' Associations	75	–
Workers' Compensation Review Committee	–	227
	$ 8,146	$ 8,470

The WCB is required by the *Act* to reimburse the Province of Nova Scotia for part of the operating costs of the Occupational Health and Safety Division of the Department of Environment and Labour.

The Workers' Compensation Appeals Tribunal (WCAT) is an independent organization formed to hear appeals of workers' compensation claims and assessment decisions. The WCB is required by the *Act* to absorb the operating costs of the WCAT.

The Workers' Advisers Program (WAP) offers legal advice and assistance to eligible injured workers on workers' compensation matters. The WAP operates autonomously from the WCB. The WCB is required by the *Act* to absorb the operating costs of the WAP.

Injured Workers' Associations provide advice and assistance to workers on workers' compensation issues. The WCB is required by the *Act* to provide funding to Injured Workers' Associations on such terms and conditions as the Minister of Environment and Labour deems appropriate or the Governor-in-Council prescribes.

The Statutory Review Committee was appointed pursuant to the *Act* to review, report on and make recommendations to the Governor in Council in accordance with the terms of reference established by the Governor in Council. The WCB is required by the *Act* to absorb the operating costs of the Workers' Compensation Review Committee.

12. SELF-INSURED EMPLOYERS

These financial statements include the effects of transactions carried out for self-insured employers -federal and provincial government bodies and former bodies — who directly bear the costs of their own incurred claims and an appropriate share of administration costs.

	2003	2002
Revenue	$ 31,593	$ 30,327
Claims costs incurred		
Short-term disability	$ 4,396	$ 4,110
Long-term disability	15,223	14,576
Survivor benefits	3,021	3,063
Health care	4,187	4,030
Rehabilitation	200	219
	27,027	25,998
Administration costs	4,566	4,329
	$ 31,593	$ 30,327

The benefits liabilities related to self-insured employers have not been included in the WCB's benefits liabilities account. As these liabilities will be borne by those employers when paid in future years, they do not add to the WCB's unfunded liability.

As of January 1, 2003, four former federal government bodies ceased to be self-insured and paid assessment premiums. These employers and the WCB are continuing to negotiate the transitional arrangements related to benefits liabilities for accidents occurring on or before the date they ceased to be self insured.

13. RELATED PARTY TRANSACTIONS

Pursuant to various legislative amendments to the *Act*, the Province of Nova Scotia reimbursed the WCB for certain claims costs incurred until April 1, 2002. These claims payments were billed and recovered on a monthly basis. Total recoveries for 2003 were nil (2002 - $224). Claims payments and costs incurred indicated in Note 8 are shown net of these amounts.

In addition, the WCB provides self-insured coverage to provincial government agencies and departments. The Province, as a self-insured employer, reimburses the WCB for their own incurred claims and a share of administration costs. The amounts included in Note 12 for the Province of Nova Scotia are as follows:

	2003	2002
Revenue	$ 3,956	$ 3,817
Claims costs incurred	$ 3,247	$ 3,129
Administration charges	709	688
	$ 3,956	$ 3,817

These transactions are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties. The balances due to and due from related parties are non-interest bearing and under normal credit terms. At December 31, 2003, the amount receivable from the Province of Nova Scotia was $440 (2002 - $534).

The WCB invests short-term funds in promissory notes of the Province of Nova Scotia. Interest earned on these investments totalled $823 in 2003 (2002 - $671). Total funds invested in notes due from the Province as at December 31, 2003 were $19,000 (2002 - $27,000), bearing an average interest rate of 2.71% (2002 - 2.74%).

14. INDUSTRY LEVIES

As a result of Orders-in-Council, the WCB has levied a surcharge against the industries listed below to fund a portion of the operating costs of safety and health training programs conducted by the industries. The amounts collected have been disbursed as directed by the Orders-in-Council. As the funds collected on behalf of these industries are not those of the WCB, they have not been included as revenue or costs in the Statement of Operations and Unfunded Liability.

Industry	Payee	2003	2002
Construction	Nova Scotia Construction Safety Association	$ 850	$ 856
Forestry	Forestry Safety Society	282	279
Trucking	Nova Scotia Trucking Safety Association	215	217
Retail Gasoline	Retail Gasoline Dealers' Association	23	24

15. COMMITMENTS

The WCB has committed to the following operating lease payments, for office premises and equipment, over the next five years and in aggregate:

2004	$ 854
2005	$ 301
2006	$ 227
2007	$ 201
2008	$ 151
	$ 1,734

16. CONTINGENCIES

On January 31, 2003 the Workers' Compensation Appeals Tribunal issued a decision indicating that interest may be payable on a delayed payment of benefits. This decision was appealed to the Nova Scotia Court of Appeal and leave to appeal was granted on September 25, 2003. Arguments will be heard and a decision from the Nova Scotia Court of Appeal is expected sometime in 2004. Unresolved issues surrounding this ruling have the potential to increase benefits liabilities. The probability and magnitude of such an increase are currently undeterminable.

17. EMPLOYEE PENSION PLAN

Employees of the WCB participate in the Public Service Superannuation Fund (the "Plan"), a contributory defined benefit pension plan administered by the Province of Nova Scotia, which provides pension benefits based on length of service and earnings. Contributions to the plan are required by both employees and the WCB. Total employer contributions for 2003 were $951 (2002 - $845) and are recognized as an expense in the period. The WCB is not obligated for any unfunded liability, nor does the WCB have any entitlement to any surplus that may arise in this Plan.

WCB Salaries and Benefits *December 31, 2003*

	2003					2002	
	Number of Individuals	Salary	Benefits	Other	Total	Number of Individuals	Total
Chair, Board of Directors	1	23,400			23,400[1]	1	10,950
Board of Directors	9	61,400			61,400	9	105,725
	10	84,800	-	-	84,800	10	116,675
Chief Executive Officer	1	94,445	11,302	4,615	110,362[2]	1	136,842
VP Client Services	1	106,214	12,558	5,466	124,238	1	115,552
VP Strategic Services	1	99,811	12,068	3,340	115,219	1	107,338
VP Finance & Chief Financial Officer	1	101,699	12,199	3,340	117,238	1	107,015
VP Assessment Services & Risk Management	1	100,632	12,085	7,674	120,391	1	102,643
VP Human Resources						1	28,196[3]
	5	502,801	60,212	24,435	587,448	6	597,587
Staff Salaries & Benefits	334	15,702,343	2,624,696	73,332	18,400,371	324	17,281,169
(Average 2003 - $55,091, 2002 - $53,337)							
Employee future benefits				452,200	452,200		452,200
Administration - Salaries & Benefits	349[5]	$16,289,944	$2,684,908	$549,967	$19,524,819[4]	340	$ 18,447,631

1. The Chair's remuneration is based on a daily per diem allowance of $300 to a maximum of $40,000 per annum, effective July 11, 2002. The Deputy Chair and all other Board members receive a per diem of $150 for Board meetings and related work. The Deputy Chair receives a per diem of $200 for days acting in the capacity of Chair.
2. The former Chief Executive Officer was seconded to Dalhousie University, effective October 1, 2003. The secondment arrangement with Dalhousie provides the former CEO with a salary of $145,000 for 3 years and study expenses up to $60,000.
3. The VP Human Resources position was vacant from March 22 to December 31, 2002. This position is now combined with the VP Strategic Services.
4. Salary includes regular base pay. Benefits include the Employer's share of employee benefits-CPP, EI, Pension Plan, Health/Dental Plan, Life Insurance & LTD. Other includes Vacation Payout & Travel Allowance. Total Salaries and Benefits in 2003 of $19,524,819 (2002 - $18,447,631) varies by $17,975 (2002 - $18,705) from Note 10 in the Financial Statements due to Travel Allowances disclosed in "Other", which is posted to Travel and Accommodations in Note 10.
5. This figure represents the average number of staff members on payroll during the year.

Actuarial Certificate

We have completed an actuarial valuation of the benefits liabilities for insured employers under the *Worker's Compensation Act* of Nova Scotia as at December 31, 2003, for the purpose of providing input to the Financial Statements of the WCB.

Our estimate of the benefits liabilities of $1,241,072,000 represents the actuarial present value at December 31, 2003, of all expected health-care payments, short-term disability benefits, long-term disability benefits, survivor benefits and rehabilitation payments which will be made in future years, and which relate to claims arising from events which occurred on or before December 31, 2003. As in previous valuations, the benefits liabilities do not include any provision for future claims related to occupational disease.

A new *Worker's Compensation Act* received Royal Assent on February 6, 1995. To estimate the effect of wage-loss procedures and other elements of the new *Act*, we have made use of the actuarial techniques, which were applied in the wage-loss costing work done in 1994, to evaluate the effect of the new *Act*. This work is described in separate reports to the Board.

No allowance has been made in these liabilities for any possible future deviations from the present policies and practices of the Board or for the extension of new coverage types.

The liabilities have been broken down into five categories, namely: short-term disability; long-term disability; survivors' benefits; health care; and rehabilitation.

All liabilities have been calculated using underlying assumptions of 3.50% real rate of return on invested assets and rates of increase in the Consumer Price Index equal to 4.00% per annum. These assumptions are unchanged from those used in the actuarial valuation as at December 31, 2002.

The CPI assumption equates to inflation rates for indexing of benefits of 2.00% per annum in respect of long-term disabilities and permanent survivor benefits, as indexing is at 50% of the rate of increase in the Consumer Price Index for these categories.

Liabilities in respect of future permanent long-term disability and survivor benefits awards have been determined based on factors developed from historical patterns of permanent awards, and using mortality and valuation interest rate assumptions consistent with those used in determining the existing pension liabilities.

The liabilities in respect of short-term disability, health care, rehabilitation, and the non-permanent portion of survivors' benefits have been determined from projections of future claim payments. These projections have been based on continuation of recent payment patterns by years since the accident. An inflation rate of 4.0% per annum has been used to project future cash flows for short-term disability claims and the non-permanent portion of survivors' benefits. For health care and non-income rehabilitation benefits, we used an inflation rate of 5.5% per annum reflecting the greater expected inflation rate on these items.

We have reviewed the valuation data to test for reasonableness and consistency with the data used in prior years. The liability established for permanent awards; including the provision for administration, to be granted in the future is about $317.1 million (about 25% of all liabilities). It is our opinion that the data are sufficient and reliable for the purpose of this valuation.

In our opinion, the actuarial assumptions are appropriate for the purpose of the valuation and the methods employed are consistent with sound actuarial principles. Our valuation report has been prepared and our opinions have been given in accordance with accepted actuarial principles.

Paul G. Conrad, FCIA, FSA, MAAA
Eckler Partners Ltd.

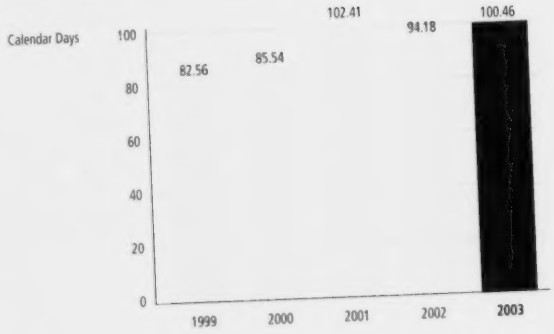
statistical

In 2003:

- The total number of claims registered decreased by 0.6% from 33,874 in 2002 to 33,674 in 2003.
- The total number of time-loss claims in 2003 is 8,996. This represents an increase of 2.6% from the 2002 total of 8,769.
- 'Sprains and strains' were by far the most common type of time-loss injury, with the back being the most common part of the body injured.
- The average duration of time-loss claims increased 6.7% to 100.5 days from 94.2 days in 2002.
- Total assessable payroll has increased steadily since 1999. The current figure is $7.08 billion, a 21.6% increase from the 1999 figure of $5.82 billion.
- Nova Scotia's targeted average assessment rate of $2.54 per $100 of payroll was the second highest among the 12 Canadian WCBs. The actual rate was $2.58 per $100 of payroll as of February 29, 2004.
- The capitalization ratio decreased from 73.2% in 2002 to 67.2% in 2003. The capitalization ratio is the WCB's total assets divided by its total liabilities.

Average Duration of Short-Term Disability Claims

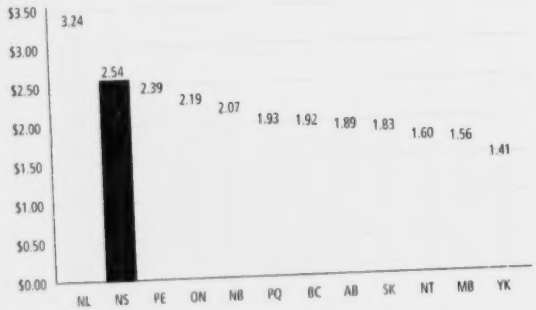
Using AWCBC Composite Method



To make all years comparable, averages are based on the first five years of an accident's duration.

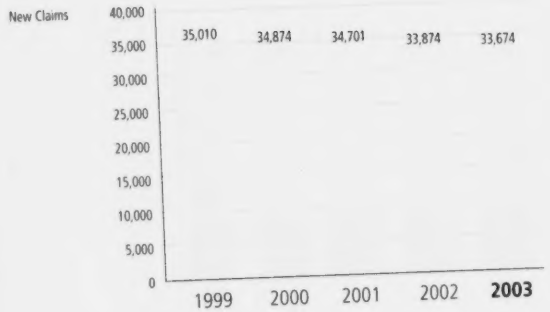
Targeted Average Assessment Rates

All provinces per $100 of assessable payroll, 2003



Note: Caution should be exercised in comparing average assessment rates. Interprovincial differences in extent of coverage, industry mix, benefit levels and assessable maximums can all affect average assessment rates.
Source: Association of Workers' Compensation Boards of Canada.

Status of New Claims



Compensable Time Loss	8,200	9,061	9,200	8,769	**8,996**
Other:					
No Compensable Time Loss	22,790	22,251	21,727	20,833	**19,666**
Fatal	23	17	16	13	**18**
Not Pursued or Disallowed	3,997	3,545	3,758	4,259	**4,994**
Other Subtotal	26,810	25,813	25,501	25,105	**24,678**
Total	35,010	34,874	34,701	33,874	**33,674**
Clients with Registered Claims	30,046	30,110	29,942	29,449	**29,395**

Claims represented are those registered during the report year. Time-loss claims are defined as those claims which received a time-loss benefit during the report year, or within two months of the report year.

Some WCB clients may have had more than one accident/claim in a year, therefore, the number of clients with claims registered does not equal the number of claims registered.

Injury Frequency by Industry*

per 100 Covered Workers, 2003

	Total Payroll	Injury Frequency
Manufacturing	$1,242,734,104	4.1%
Health/Social Services	1,142,801,391	3.7%
Retail Trade	920,663,999	2.0%
Construction	634,293,962	1.8%
Wholesale Trade	582,524,107	4.2%
Transportation/Storage	413,266,448	2.4%
Government Services	399,163,645	4.4%
Accommodation/Food/Beverages	373,734,660	3.8%
Business Services	324,964,192	1.3%
Communication/Utilities	266,599,611	2.3%
Other Services	256,244,420	3.7%
Fishing/Trapping	191,576,975	1.6%
Mining/Quarries/Oil Wells	92,191,474	2.8%
Real Estate/Insurance Agents	71,305,310	2.0%
Educational Services	55,103,745	2.7%
Logging/Forestry	49,963,075	2.5%
Agriculture/Related Services	42,725,304	1.0%
Finance/Insurance	21,945,923	0.2%
Total	**$ 7,081,802,345**	**100%**

*Does Not Include Self Insured Firms

Assessable Payroll by Industry

For Nova Scotia, 2003

	Assessable Payroll ($ millions)	% of Total Assessable Payroll	Number of Claims Registered	% of Claims Registered (Non Self Insured)
Manufacturing	$1,242.7	17.5%	7,555	24.0%
Health and social services	1,142.8	16.2%	5,021	15.9%
Retail trade	920.7	13.0%	3,517	11.1%
Construction	634.3	9.0%	2,909	9.2%
Wholesale trade	582.5	8.2%	1,895	6.0%
Transportation/Storage	413.3	5.8%	1,465	4.6%
Government Services	399.2	5.6%	1,263	4.0%
Accommodation/Food/ Beverages	373.7	5.3%	2,618	8.3%
Business Services	325.0	4.6%	542	1.7%
Communication/Utilities	266.6	3.8%	616	2.0%
Other Services	256.2	3.6%	1,160	3.7%
Fishing/Trapping	191.6	2.7%	615	2.0%
Mining/Quarries/Oil Wells	92.2	1.3%	211	0.7%
Real Estate/Insurance Agents	71.3	1.0%	215	0.7%
Educational Services	55.1	0.8%	70	0.2%
Logging/Forestry	50.0	0.7%	250	0.8%
Agriculture/Related Services	42.7	0.6%	255	0.8%
Finance/Insurance	21.9	0.3%	11	0.0%
Unknown	0.0	0.0%	1,344	4.3%
Total	**$7,081.8**	**100.0%**	**31,532**	**100.0%**

Claims Registered by Firm

Number of firms	Number of claims registered 2003	% of all firms	Number of new claims registered	% of new claims registered
15	200 or more	0.08%	6,814	20.24%
37	100 or more	0.21%	9,823	29.17%
97	50 or more	0.55%	14,031	41.67%
206	25 or more	1.17%	17,704	52.57%
553	10 or more	3.13%	22,811	67.74%
1,042	5 or more	5.90%	26,029	77.30%

Note: Totals for all columns are cumulative. For example, 97 firms account for all 55% of all registered firms and 41.67% of all claims registered during 2003.

Compensable Time-Loss Claims by
Nature of Injury

	2002	%	2003	%
Sprains,Strains	4,347	49.6%	**4,896**	**54.4%**
Nature Not Stated	1,799	20.5%	**1,415**	**15.8%**
Contusion, Crushing, Bruise	856	9.8%	**840**	**9.3%**
Cut Laceration Puncture	503	5.7%	**553**	**6.2%**
Fracture (includes teeth)	308	3.5%	**326**	**3.6%**
Inflamed joint, tendon, or muscle	215	2.5%	**192**	**2.1%**
Burn or Scald (hot or cold)	123	1.4%	**137**	**1.5%**
Scratches, abrasions	122	1.4%	**115**	**1.3%**
Hernia,rupture	80	0.9%	**77**	**0.9%**
All Other	416	4.7%	**445**	**4.9%**
Total	8,769	100.0%	**8,996**	**100.0%**

Compensable Time-Loss Claims by
Part of Body

	2002	%	2003	%
Back	2,801	31.9%	**2,870**	**31.9%**
Multiple Parts	910	10.4%	**990**	**11.0%**
Leg(s)	736	8.4%	**737**	**8.2%**
Shoulder(s)	662	7.6%	**681**	**7.6%**
Fingers	644	7.3%	**633**	**7.0%**
Arms(s) (above wrist)	502	5.7%	**481**	**5.4%**
Wrist	404	4.6%	**424**	**4.7%**
Hand (does not include fingers)	360	4.1%	**399**	**4.4%**
Ankle	352	4.0%	**362**	**4.0%**
Foot (does not include toes)	257	2.9%	**268**	**3.0%**
Neck	208	2.4%	**201**	**2.2%**
Chest	189	2.2%	**188**	**2.1%**
Hips	126	1.4%	**131**	**1.5%**
Eyes	105	1.2%	**100**	**1.1%**
All other	513	5.9%	**531**	**5.9%**
Total	8,769	100.0%	**8,996**	**100.0%**

Compensable time loss Claims
Age at Accident Date

	2002	%	2003	%
Not Stated	5	0.1%	**2**	**0.0%**
Less than 20	256	2.9%	**254**	**2.8%**
20 to 24	825	9.4%	**797**	**8.9%**
25 to 29	904	10.3%	**859**	**9.5%**
30 to 34	1,101	12.6%	**1,073**	**11.9%**
35 to 39	1,319	15.0%	**1,280**	**14.2%**
40 to 44	1,489	17.0%	**1,498**	**16.7%**
45 to 49	1,189	13.6%	**1,283**	**14.3%**
50 to 54	870	9.9%	**986**	**11.0%**
55 to 59	573	6.5%	**685**	**7.6%**
60 to 64	209	2.4%	**235**	**2.6%**
65 or older	29	0.3%	**44**	**0.5%**
Total	8,769	100.0%	**8,996**	**100.0%**

Categories based on Statistics Canada Workplace Injury Codes. Claims represented are those registered during the report year. Time-loss claims for 2002 and 2003 are defined as those claims which received a time-loss benefit during the report year, or within two months of the report year.

Quality Assurance Statistics

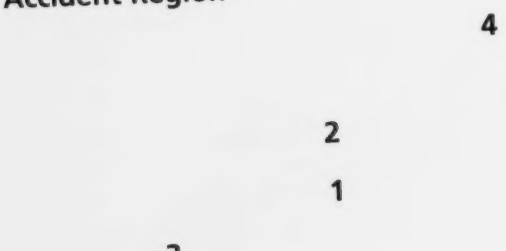
Appeals Filed

	2002	%	2003	%
Claims Registered	33,874	100.0%	**33,674**	**100.0%**
Appeals filed	479	1.4%	**312**	**0.9%**

Based on appeals filed within the year for claims registered within the year.

Compensable Time Loss Claims by Integrated Service Unit

Accident Region



	2002	%	2003	%
1 Halifax Regional Municipality	3,569	40.7%	**3,460**	**38.5%**
2 Central & North Shore	1,897	21.6%	**2,082**	**23.0%**
3 South Shore & Valley	1,921	21.9%	**1,951**	**21.7%**
4 Cape Breton	1,342	15.3%	**1,453**	**16.2%**
Other	40	0.5%	**50**	**0.6%**
	8,769	100.0%	**8,996**	**100.0%**

Claims represented are those registered during the report year. Time-loss claims are defined as those claims which received a time-loss benefit during the report year, or within two months of the report year.

Compensable Time Loss by

Gender of Client

	2002	%	2003	%
Male	5,695	64.9%	**5,795**	**64.4%**
Female	3,074	35.1%	**3,201**	**35.6%**
	8,769	100.0%	**8,996**	**100.0%**

Claims represented are those registered during the report year. Time-loss claims for 2002 and 2003 are defined as those claims which received a time-loss benefit during the report year, or within two months of the report year.

Honouring a Commitment to Safety

OUTSTANDING ACHIEVERS IN WORKPLACE safety were honoured with Occupational Safety and Health Workplace Achievement Awards as part of North American Occupational Safety and Health (NAOSH) Week in May 2003. The Province of Nova Scotia, in partnership with the Workers' Compensation Board and Human Resources Development Canada, presents the awards to recognize companies who have better accident experience than the average for their industries. The following are the 2003 award recipients:

B & J Draggers Limited
Central Equipment Limited
Plyform Construction Limited
Darrin Carter Logging Limited
Highland Manor
R & C Weare Logging Limited
Houmard Acadie Inc.
Santec Construction Managers Limited
Atlantic Corporation Ltd.
C & J Mason Holdings Limited
3-way tie (Halifax County): Rideau Construction Inc., Nova Charter Service Inc., Pro-Dent Laboratory Ltd.
L & E MacGrath Bros. Ltd.
Quentin's Roofing Ltd.
H.B. Forestry Ltd.
Annapolis Royal Nursing Home Ltd.
Point Tupper Marine Services
Sea Star Seafoods Ltd.
Northumberland Logging Ltd.

Meredith Principles

IN 1910, IN RESPONSE TO CONCERNS ABOUT a lack of adequate funding for injured workers, and a slow, inequitable court system, the Ontario government commissioned Sir William Meredith to produce a report on workers' compensation. Meredith reviewed the system in the United States, France, England, Belgium, and Germany and recommended a system based on collective liability and a wage-loss approach to calculating benefits.

The main principles of Meredith's report include the following:

- Collective liability, under which all employers share the responsibility for benefits to injured workers;
- No fault, under which the worker gains the right to benefits regardless of fault, in return for giving up the right to sue;
- Universal coverage, under which all workers are eligible to receive benefits;
- Industry funding, under which the entire costs of benefits are covered through levies on employers;
- State administration, under which the state assumes responsibility for the collection of employer contributions and the awarding and distribution of benefits to injured workers;
- Exclusive jurisdiction, under which the administrative Board (the WCB) has the power to inquire into, re-hear and re-adjust all issues as necessary;
- Security of payment, whereby the worker's claim was separated from the employer's ability to pay and guaranteed by an accident fund under the WCB's administration; and
- Calculating benefits based on wage loss, whereby an injured worker receives benefits based on a calculation of wages lost as a result of the injury.

you

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